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China Report

ECONOMIC AFFAIRS

SPECIAL NOTICE INSIDE

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19 MAY 1987

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NATIONAL AFFAIRS, POLICY

LEADING ECONOMIST ADDRESSES NATIONAL MEETING

OW091956 Beijing XINHUA in English 1644 GMT 9 Apr 87

["Roundup: Means of Production Markets Brisk"--XINHUA headline]

[Text] Hangzhou, 9 April (XINHUA)--Just as in the consumer goods market, business is brisk in China's newly-opened trade centers for materials essential to the national economy, according to the proceedings of a recent national meeting reaching XINHUA today.

Provincial and municipal authorities have in recent years opened 386 trade centers for what is technically known as "means of production," whose production and distribution used to be subject to exclusive control by the state.

The centers handled 3.62 million tons of steel, 1.53 million cubic meters of timber, 1.46 million tons of cement, 5.97 million tons of coal and 125,000 motor vehicles in 1986, which were worth 17.4 billion yuan in total--65 percent over the 1985 figure.

In the past, these materials were among the 256 covered by state mandatory planning. That meant that factories producing them had to turn over all their output to the government, which then sold them to specific regions and enterprises at fixed prices according to the national economic plans.

Now only 20 materials are still controlled by the state, and statistics from the meeting, held in Fuyang County, Zhejiang Province, show that the controlled part has decreased.

For example, the state now controls about 16 percent of the cement, 28 percent of the timber, 47 percent of the steel and 47 percent of the coal produced in China every year.

The rest can be sold through means of production trade centers, at prices floating according to supply and demand and within ranges fixed by the government.

"Socialism aims to eliminate the private ownership of major means of production and the resultant commercialized labor and the exploitation of

workers for surplus value, but it does not negate the exchange through money--something developed under capitalism," Professor Xue Muqiao, a leading Chinese economist, was quoted as saying in the proceedings of the meeting.

While encouraging trade in means of production, the government seems to be cautious in spreading the new practices.

Participants agreed that the means of production market is only half open, and that it will be necessary to create a unified means of production market for the nation.

This is because some materials are still in short supply, and enterprises still need to depend on the state for them. Besides, enterprises which can afford to buy all their materials at market prices are not many.

Another problem is the co-existence of two prices for the same materials, which is liable to give rise to profiteering.

Nevertheless, Shijiazhuang, capital of Hebei Province, seems to have found a way of solving this problem. In that city, materials subject to state control and meant for the trade centers are all sold at market prices. The centers then return the part of money earned from the price differential to the buyer.

The State Council has decided to spread this practice as it kills two birds with one stone--preventing profiteering while reducing the burden on the buyer.

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NATIONAL AFFAIRS, POLICY

TONG DALIN ON SOCIALIST ECONOMY

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 6, 23 Jun 86 pp 8-13

[Article by Tong Dalin [4547 1129 2651]: "On Integrated Socialist Economy"]

[Text] In the course of reforming China's rural and urban economic restructuring in China, different forms of economic integration have sprung up like mushrooms, particularly horizontal economic integration between enterprises and regions. This kind of horizontal economic integration has effectively broken through the rigid boundaries of the "systems of ownership" among departments, regions and trades in the old economic structure, enabled enterprises to free themselves from the fetters of administrative subordinate relations, succeeded in separating the functions of government and enterprises, and promoted the transformation of the government's functions in managing the economy. This kind of horizontal economic integration helps give play to the potentials of existing enterprises, spurs rational circulation of resources, funds, technology, labor, talents and information, and improves the industrial structure and distribution of productive forces. Horizontal economic integration is an objective demand of developing the socialist commodity economy, an inevitable trend in building a large modern economy and an important substance in economic restructuring.

Socialist Economy Is By Nature an Integrated Economy

Why do we say that the socialist economy is by nature an integrated economy? Our discussion must begin with Marx's conceptions. Marx advanced a famous conception of the ideal future society.

He said: "Imagine an integrated body of freemen who engage in labor with public means of production and who consciously use their large quantity of individual labor forces as a social labor force. ... The total products of the integrated body are products of the society. A portion of these products is re-used as means of production. This portion still belongs to the society while the other portion is consumed by members of this integrated body as means of subsistence. Therefore, this portion must be distributed among them. This mode of distribution will change along with the special mode of social production mechanism itself and along with the corresponding degree of historical development of the producers."¹

Here, Marx pointed out the modes of labor and distribution in the ideal future society he envisioned. This is a conception of a kind of integrated economy. This integrated economy is an even higher social-economic formation.

On the differentiation of various social-economic formations, Marx clearly pointed out: "What differentiates various social-economic formations such as a slave society and a wage labor society is merely the form by which such surplus labor is extorted from the direct producers and laborers."² In other words, in a slave society, surplus labor is extorted from slave laborers; in a feudal society, surplus products are extorted from serfs and tenancy laborers; and in a capitalist society, surplus value is extorted from wage laborers. In the future society, surplus products or surplus value created by the freeman--integrated laborers--will be owned by the whole society.

Evidently, this conception of Marx means engaging in integrated labor in the whole society based on highly developed and large socialized production. The whole society is an overall economic body, or as Lenin said, the whole society becomes a large "syndicate". Direct distribution of the fruit of social labor is very simple and clear. At that time, commodities and money will not be needed, nor will markets, and there will even be no competition. Production and distribution of the whole society will be managed by the society according to "plans". This is where people subsequently drew the concept of so-called "planned economy".

As we know, in the writings of Marx and Engels, socialism and communism are two interchangeable terms. It was not until the "Critique of the Gotha Program" that the first phase and higher phase of communism were first distinguished. Later, Lenin called the first phase of communism the socialist phase, and the higher phase the communist phase, and he used different modes of distribution to distinguish these two different phases, that is, the mode of distribution in socialism is "remuneration according to work", and that in communism is "distribution according to need". Theoretically, this point is definite.

However, for more than a half century of practice in socialism in some countries, people have rigidly adhered to Marx's conception of using all individual labor forces of society as a social labor force. Therefore, they have simply summed up the economy of this primary phase of socialism as a highly centralized and all-encompassing command "planned economy"--"product economy". As a consequence, this method of management of such a subjective category of "planned character of economy" is actually regarded a social-economic formation, equating the change in the social system with the existence and abandonment of production modes (for instance, maintaining the view that such a mode of production as commodity economy cannot be tolerated by the socialist system). Because this violates the objective economic law, proper play could not be given to the superiority of the socialist system. At the same time, Marxist economic theories which should have developed along with the practice of socialism were not properly developed, but on the contrary, to a certain extent they become fixed "dogmas".

Today, it appears that the socialist--communist--economy is by nature an integrated economy. This is certain and doubtless. But the mode of integrated labor and mode of distribution must suit the different phases and their different levels of economic development. In recent years, experiments in some socialist countries and China's economic restructuring have provided

highly valuable practical experience and have made beneficial contribution to enriching and developing Marxist economic theories.

Bi-Level Structure of Integrated Economy

From the standpoint of the entire social-economic structure, the modern society is roughly made up of two major levels, so-called macro-economy and micro-economy. From the standpoint of practical experience of socialism, the entire socialist economic structure is unable to turn the whole society into an overall integrated body. On the basis of such a mode of production as the socialist commodity economy, it is likewise necessarily a bi-level structure.

At the first level, the principal part is the socialist state, which represents the laborers of the whole society. The state controls the overall distribution of the labor force and means of production, exercises the necessary control and regulation of the economic activities of the whole society to achieve rapid development of the socialist commodity economy. The state's macro-control of the activities of the commodity economy mainly include: formulating social, economic and scientific development strategy; carrying out medium- and long-term economic forecasting; drawing up social-economic and scientific development plans for fixed periods of time; controlling the ratios of accumulation and consumption; and regulating the normal operation of the market mechanism.

At the second level are the enterprises, which also include household and individual contracts, leases and partnerships, as well as various other forms of economic integration. This is the so-called micro-economy, which is also forms of labor integration between laborers and the means of production in each economic unit. When a laborer enters an economic unit in a socialist society, on one hand his labor has already become a component part of the society's general labor force; on the other hand, he also plays his role directly as a factor of the general labor force of this economic unit. Therefore, his interests are related not only to those of the state (the integrated body of labor of the whole society) but also to those of this economic unit.

Therefore, the first level of the state and the second level of the enterprises are closely related, with the interests of the two sides connected. We must recognize that as part of a form of integrated labor, the enterprise must have full autonomy and should be a commodity producer and manager which operates independently and assumes sole responsibility for its profits and losses. And as the overall economic body of the whole society, the socialist state should still control the orientation of economic development of the whole society, make macro-policies and exercise control; and under the conditions of the commodity economy, it must utilize market mechanism fairly well and invigorate the whole economy.

Based on the experience of urban economic restructuring in the past several years, in the macro-control of the first level--the state on the second level--the enterprises, the role of key cities as an intermediate link is increasingly prominent in the utilization of market mechanism and the process of combining the microeconomy and macroeconomy. Particularly in a country

like China which has a vast territory and whose natural resources and economic development are extremely imbalanced, not only is the intermediate link of the key city indispensable but the whole economic structure can operate smoothly only through it.

Laborers are the Subject, Means of Production are the Object

Marx wrote: "If workers occupy a dominant position and if they can produce for themselves, they will quickly and effortlessly bring capital up (to use the words of vulgar economists) to the level of their own needs."

"The key difference is: whether existing means of production as capital conflict with workers, thereby used by the workers only if they have to increase surplus value and surplus products for their employers, whether these means of production are using the workers, or whether the workers as the subject are using the means of production, the object, to produce their own wealth."³

Marx's meaning is stated very clearly. In a socialist society, the means of production are used by the workers because this is the only way to create surplus products and surplus value for the capitalists, which means the means of production are using the workers. In other words, the means of production are the subject and the workers are the object. And when the workers are in a dominant position, that is, in a socialist society after the working class has seized power, the workers should become the subject while the means of production become the object. The subject--the workers, use the object--the means of production, to create wealth for the society.

However, for a long period of time in China's socialist economic construction, we have not earnestly laid out the correct relationship between the subject and object. Simply stated, in economic construction, the means of production are still regarded the subject while the laborers are merely the object. For example, in the tasks of economic leadership, only fixed assets investment is taken seriously, the bigger the scale the better and the newer the equipment the better, but often there is indifference towards the most basic daily needs, production conditions and education rights of laborers.

We can succeed in our whole undertaking in socialist construction and all of our tasks in economic restructuring only by giving play to the enthusiasm, wisdom and creative ability of laborers (including mental and physical laborers) and by truly making laborers the new productive force and the subject of new production relations. If we depart from this point, the integrated socialist economy will lose its soul.

Ownership is Sum Total of Various Economic Categories

What is ownership?

This is a question that must be clarified in Marxist economic theory. It is also a question that must be answered theoretically as demanded long ago in economic restructuring.

Our discussion on this question must begin with Stalin's definition.

Stalin said: "The subject of political economy is people's production relations, that is, economic relations. This includes (1) the form of ownership of the means of production; (2) the production role of different social groups resulted from this and their mutual relations, or as Marx said, 'their mutual interchange of activities'; (3) the form of distribution of products which change totally with them."⁴

Since then, not only did the three aspects of production relations summed by Stalin, particularly the first aspect--the form of ownership of the means of production, become the starting point in the study of political economy but also the core of the socialist economic system, while other aspects of production relations no longer mattered. At the same time, the forms of ownership of the means of production under the socialist system were divided into "ownership by the whole people" and "collective ownership", while the so-called "individual ownership" was rejected out of the socialist economy and was a target of elimination. In real work, "ownership" was actually thought of as the bigger and the more public were the more advanced, ownership by the whole people was better than collective ownership, and large collectives were better than small collectives. So far, this type of understanding and practice have not totally vanished. This is one source that gave rise to "eating out of the iron bowl" and "eating out of the big pot".

Stalin's definition of production relations and differentiation of the forms of ownership have been criticized by some comrades as unscientific and not conforming to Marx's correct viewpoints.

What we must first understand now is, what exactly is the meaning of the category ownership?

In his criticism of Proudhon, Marx said:

"Ownership constitutes the last category in Mr. Proudhon's system. In the real world, the opposite is true: the division of labor and all of Mr. Proudhon's other categories are social relations which together make up what is now called ownership; outside these relations, ownership of the bourgeoisie is nothing but a metaphysical or juridical illusion. The system of ownership of another era, the feudal system of ownership, developed in a completely different set of social relations. In establishing ownership as an independent relation, Mr. Proudhon has committed not only a methodological error; he clearly shows that he has not understood the link combining the various forms of bourgeois production, and he does not understand the historical and transitory nature of the various forms of production in a given era."⁵

We have cited this long passage from Marx in order to explain that ownership is a social relation. Or we can say, ownership is a category summarized from various aspects of a production relation.

In his discussions in concern, Marx sometimes used ownership synonymously with production relation. Production relations entails the various aspects of

production, circulation, distribution and consumption. Therefore, we can call the sum total of the various aspects of production, circulation, distribution and consumption "ownership". The production relation of capitalism is private ownership while that of socialism is public ownership. This is clear at one glance. On the other hand, Stalin's definition and its practice described above treated ownership of the means of production as the determinant of all economic activities. Consequently, for a very long time, people have equated the ownership form of the means of production with the sum total concept of ownership, and have regarded it as something right and proper that cannot be changed. Even when this concrete "form of ownership" has already hindered the development of productive forces they have not been able to make a change.

We now say that the basic characteristic of socialism is public ownership. In reality, it means that ownership is the summation of various aspects of socialist production relation. It includes: the socialist production goal is to satisfy the basic daily needs of all members of the society and the needs of development of the whole society; socialist circulation is carried out through the socialist market system and its mechanism; socialist distribution primarily makes correct determination of the ratios of accumulation and consumption as well as implements the principle of remuneration according to work; the consumption levels of the society and individuals must be compatible with the level of production development. All these constitute the extension of public ownership. If we continue to merely sum up this general system of socialist production relations of public ownership as a form of ownership of the means of production, simply differentiate them as "ownership by the whole people" and "collective ownership", and use them as criteria to standardize the modes of activities of the whole economy and different nature of enterprises, it will only cause all kinds of insurmountable contradictions in practice and it will not be possible to get out of the untenable maze of theory.

The basic goal of our current economic restructuring is to consolidate and perfect public ownership as well as to give full play to the superiority of the socialist system in the areas of production, circulation, distribution and consumption.

Forms of Ownership of Socialist Enterprises

Marx treated ownership as a combined economic category. The socialist public ownership we talk about is socialist production relation, which does not only refer to the question of proprietary rights of the means of production but should include different aspects of the whole production relation, and which is in substance the socialist system itself.

In that case, in the micro-economy or the second level of integrated labor, we can use the concept of "forms of ownership", as it is customarily named, to differentiate the nature and types of enterprises.

At present, due to the mutual infiltration among different enterprises and the diversification of horizontal economic integration, it is almost difficult to make strict distinction among the former so-called "ownership by the whole

people", "collective ownership" and "individual ownership", and this has become a key topic in economic theories and practice of reform.

We are already of the opinion that forms of ownership cannot proceed merely from the form of ownership of the means of production but must analyze the concrete forms of combination between laborers and the means of production. As Marx said, "Regardless of the social form of production, laborers and means of production are always the factors of production. However, when the two are separate, they are factors of production only in terms of possibilities. We must combine them whenever we need to engage in production. The special modes and methods to carry out such combination distinguish a social structure into different economic periods."⁶

In the socialist period, as we have mentioned above, in the combination of the two the laborer must be the subject and the means of production the object. Therefore, we should differentiate the nature and types of various enterprises at present primarily according to the concrete forms of combination between laborers and the means of production.

1. State enterprises

These are the giant enterprises, national defence enterprises and most advanced enterprises which concern the lifeblood of the national economy and the people's livelihood, which are directly controlled by the integrated body of laborers of the whole society (the state), and whose resources, equipment and other means of production are totally and directly managed by the state. Some of these enterprises may be entrusted by the state to a central government department to manage. Some enterprises which belong to urban government construction and public services may be entrusted by the state to manage and administer by a city or an administrative unit at the first county level. Some of this type of enterprises are non-profit and even need to be subsidized by government finance.

This type of state (or urban or county) enterprises should conform to what Marx said in his discussion of the Paris Commune: "Not many are left for the central government yet they perform very important functions."

2. Integrated enterprises

In terms of each enterprise, by itself it is a form of integrated labor. This form of integration is primarily that of labor. On the basis of integration of labor, it can also integrate technology, the areas of management and sales, and even funds. The currently emerging stock enterprises which collect funds in the form of shares from laborers is a form of integrated body of labor with integration of funds. Some of the state enterprises discussed above may become a form of integrated enterprises.

It is noteworthy that the horizontal integrated economic bodies that have appeared today, particularly enterprise colonies or group enterprises, will become an important form of socialist integrated enterprises.

We have already seen that a variety of forms of horizontal economic integration have appeared today. As this horizontal economic integration develops, new economic forms such as "Cartels", "syndicates", "trusts", "concerns" and transnational corporations may emerge.

Regardless of the different forms of integration of every description, they all belong to the form of ownership of socialist integrated enterprises.

3. Household enterprises (including small enterprises individually operated by laborers)

Because the system of rural household contracts linked to planned output and the tertiary industry prospered with extremely broad limits, this form of ownership of enterprises have become a very strong economic force in China and can no longer be regarded as a transitional or supplementary economic form.

We should recognize that this individual economy of laborers is also a form of ownership combining laborers and the means of production. This form of combination is a household or an individual laborer engaging in independent labor using certain means of production in his own possession. This form of individual labor actually operates throughout our whole socialist economic system. Our socialist economy is already a complete system encompassing production, circulation, distribution and consumption. Therefore, they can only exist and develop within the general system of public ownership and become a component part. The rural system of household contracts linked to planned output is distinctly different from the private economy of the old social system. The "contract" is something new and has a special significance. It involves a household--an economic unit at the micro level--signing a contract with the state--at the macro level--which provides guidance and control, thereby both parties may obtain greater economic results. Therefore, this contract system is a new socialist form of ownership.

We should also recognize that this individual form of labor does not necessarily employ manual operations, for it may be related to advanced technology and equipment; and these producers may not necessarily be small commodity producers, for they may also become a part of the developed commodity economy. Due to progress in modern science and technology and the full development of production socialization, it is necessary to place this household (individual) form of labor in the general system of the whole society and economy for observation, and we should not judge its nature by itself alone with the old, traditional concept of so-called individual "private economy".

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PROVINCIAL AFFAIRS

STEADY DEVELOPMENT OF GANSU ECONOMY NOTED

Beijing JINGJI RIBAO in Chinese 6 Mar 87 p 3

[Unattributed article: "Gansu Economy Undergoes Steady, Coordinated Growth; Last Year GVIAO Reached 17.38 billion Yuan; This Year Plans Call for 18.49 Billion Yuan"]

[Text] In 1986 Gansu's economy maintained its steady, coordinated growth in the midst of reform and decontrol; the province's GVIAO reached 17.38 billion yuan, an 8.3-percent increase over the previous year.

In 1986 Gansu's GVIO value reached more than 12.87 billion yuan, an 8.7-percent increase over the previous year. The rate of increase in the output value of light industry and collective industries, which in the past had been weak, surpassed heavy industry and state-run industries. Such salable light industrial goods and major raw materials as cameras, washing machines, beer, cigarettes, cotton yarn, wool blankets, pig iron, rolled steel, plate glass, and nonferrous metals increased by wide margins. The province's budgeted GVIO, sales income, and profits realized increased by 5.8 percent, 10.5 percent, and 8 percent, respectively; continuing their large 3-year decline, losses fell 3.3 percent.

The province's rural commodity production began to accelerate, with grain output and the various trades all flourishing. GVAO reached 4.51 billion yuan, a 7.1-percent increase over the previous year. Total grain output reached 5.51 million tons, a 3.9-percent increase. There were large increases in oil crops, melons and fruits, and vegetables. The quantities of vegetables shipped out of the province set records and put Gansu among the top provinces in producing vegetables for other provinces. Afforestation and grass planting exceeded the annual plans. Numbers of large livestock and sheep in inventory reached 5,389,000 head and 9,761,000 head, respectively, increasing by 6.1 and 6.9 percent over the previous year. Total meat production rose 20.1 percent over the previous year; total wool production increased more than 10 percent. Gross output value of animal husbandry reached 1 billion yuan, a 13.6-percent increase over the previous year. Gross output value of township enterprises increased 41.6 percent.

Capital construction throughout the province was brought under control, and returns on investments increased somewhat. Total investment in capital

construction for the year was 1.67 billion yuan; the scale of investment continued to be kept within the plans set by the state. Of the more than 1,500 projects under construction throughout the province, more than 700 are new; these figures represent declines of 13 and 34 percent, respectively, from the previous year. Projects completed and going into production throughout the province numbered 652, adding 1.2 billion yuan in new fixed assets. Local investment in renovation and reorganization amounted to more than 600 million yuan, accounting for 93.2 percent of plans, with 298 projects completed and going into construction.

Urban and rural markets in the province were brisk, and financial income rose. Domestic net purchases and net sales of commodities rose more than 12 and 15 percent, respectively. Retail sales of social commodities increased 13.3 percent. Generation of foreign exchange by exports for the first time broke through the \$100 million mark; 10 direct foreign investment projects were attracted. The balance of bank deposits and urban-rural savings deposits rose 24.7 and 42.5 percent, respectively. Financial income met the year's budget, increasing 12.4 percent over the previous year.

In 1987, Gansu Province seeks to continue to maintain steady and coordinated growth for the provincial economy; plans call for the GVIAO to reach 18.49 billion yuan, a 6.4-percent increase over last year. GVAO and GVIO are to increase 4.5 percent and 7.4 percent, respectively. In grain production, the area is to be kept the same and income increased by focusing on unit yields and drought prevention to raise output; every effort will be made to achieve total production of 5.75 million tons for the year. In industry, economic returns are to be put first; reforms are to proceed, and horizontal economic integration is to be developed; enterprise management is to be strengthened, with economic returns given high priority. The provincial government recently undertook the task of increasing production and practicing thrift to increase income and cut back on expenditure, calling for the province's GVIO to increase another 400 million yuan over this year's original plans, adding 170 million yuan in financial income.

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CSO: 4006/419

PROVINCIAL AFFAIRS

HE ZHUKANG VIEWS HENAN'S ECONOMIC PROSPECTS

HK081327 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 7 Apr 87

[Text] According to a report by XINHUA News Agency, He Zhukang, deputy to the NPC and governor of Henan Province, has briefed reporters on Henan's current situation at the fifth session of the Sixth NPC, saying: Although Henan is poor, it has great potentials, thus constituting superiority. [date of briefing not given]

In He Zhukang's view, to promote economic reinvigoration in Henan, a province which has tasted to the full the poverty caused by the closed-door practice and the practices of being conservative [bao shou] and acting with undue haste [cao zhi guo ji], we must uphold the guiding principle of promoting steady construction on a long-term basis, expand the opening up of Henan to other parts of China and to the outside world for the purpose of attracting more forces to exploit resources in Henan, successfully readjust internal relations, and concentrate our energies to fulfill a number of important tasks, and lay solid foundations for sustained economic development. For this reason, we must step up the building of a number of water conservancy projects and the projects to build commodity production bases for producing marketable wheat, cotton, and sesame seeds to secure agriculture, a front line for promoting economic development. At the same time, we must quicken the pace of promoting technological transformation within our existing enterprises and promote industrial development through raising the level of technological equipment. In addition, we must set up various key projects that are aimed at eliminating economic backwardness in Henan and the country at large.

He Zhukang said: Henan is a province without substantial resources. The province's economic development depends on its over 78 million people redoubling their efforts. Our living standards should be improved. However, regarding consumption, ease, and comfort, we would rather lag behind than compete with other parts of China in this regard. Henan's rise in economic development plays a decisive role in promoting China's modernization.

Governor He Zhukang said: Henan's economic construction cannot work miracles at present. However, in 5 or 10 years time, you will see Henan making increasingly great improvement.

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PROVINCIAL AFFAIRS

HUBEI LEADER ON LAND PLANNING WORK TASKS

HK080923 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 7 Apr 87

[Text] In his speech at a provincial conference on land planning work, Duan Yongkang, vice governor of the provincial government, stressed: All areas and all provincial departments must deepen their understanding of the work, achieve ideological unity in this regard, and actively take actions to promote the province's land planning work. The major tasks of our land planning work mainly comprise the task of exploiting and realigning [zheng zhi] land resources including natural and social resources with an eye to long-term interests and in the light of the existing urgent issues that are in need of immediate settlement, and the task of making rational territorial arrangements in line with local conditions. Since 1984, our province has formally established a provincial organization for handling land, compiled and published a book on land resources in Hubei, completed land planning pilot projects in Yichang District [di yu] and exi autonomous prefecture, and conducted a lot of preparatory work for comprehensively carrying out the whole province's land planning work. Our province and all areas throughout the province are faced with the following concrete tasks of land planning work: To successfully make overall arrangements for productive forces with an eye to rationally exploiting and using land, social, material, and technical resources; to define the orientation, targets, focal points, and measures for promoting exploitation and construction with an eye to giving full play to the overall superiority of the whole province and all areas throughout the province; to set targets for a number of projects to exploit and realign land resources; to put forward major policies and measures for attaining targets set for a number of projects to exploit and realign land resources; to put forward plans for comprehensively tackling the whole province's production problems and environmental problems; and to put forward targets and measures aimed at maintaining ecological balance and improving ecological environment. The provincial government demands that the whole province's land planning work be completed in 2 years time.

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PROVINCIAL AFFAIRS

HUBEI RADIO STRESSES LAND PLANNING WORK

HK080925 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 7 Apr 87

[Text] Dear listeners, over the years, our province has done a lot of work in exploiting, using, realigning, and protecting land resources, thus creating relatively fine production and social environments for people throughout the province. However, over a long period of time, our economic construction and social development have laid particular stress on annual and 5-year plans and on mandatory targets, and lacked the guidance of a macro, scientific and overall long-term plan for developing and realigning land resources. As a result, we have failed to successfully coordinate the handling of land resources with the handling of economy, population, natural resources, and environment, thus showing certain blindness in action. In addition, in certain respects, we have violated the natural and economic laws, thus creating some problems in the development and realignment of land resources. We must gradually solve these problems through the implementation of land plans. Therefore, the promotion of land planning is of great importance to building a rich, strong, and prosperous country and to bringing benefits to future generations, we should attach importance to successfully promoting this work.

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PROVINCIAL AFFAIRS

SHANXI REPORTS ECONOMIC PROGRESS IN FIRST QUARTER

HK230523 Tiayuan Shanxi Provincial Service in Mandarin 2200 GMT 22 Apr 87

[Excerpts] According to the latest data from the provincial statistics bureau, Shanxi's economy continued to develop steadily during the first quarter. The main expressions of this were: investment in agriculture started to rise from a decline, and the sown area of crops increased somewhat. During the period, average agricultural production investment per peasant rose by 17.2 percent compared with the same period last year. Supplies of chemical fertilizer and pesticide provided for the rural areas by the commercial departments respectively rose by 43.1 percent and 79.2 percent over the same period last year. The number of medium and small farm tools supplied rose by 1.39 million. Loans for agriculture increased by 96.55 million yuan compared with the figure at the beginning of the year.

A good momentum of steady development was maintained in industry. Excluding industry at village-level and below, total industrial output value during the period was 5.107 billion yuan, a rise of 14.6 percent over the same period last year. Losses in industrial enterprises dropped by 22.85 percent. There was a marked improvement in economic results.

Investment in fixed assets came under further control. Investment completed in capital construction during the period was 13.2 percent down on the same period last year. At the same time there was a big increase in investment in the energy industry. Good progress was made on key state construction projects such as the Shanxi aluminum plant and the Pingshuo opencast mine.

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PROVINCIAL AFFAIRS

SHANXI REVIEWS PROGRESS IN KEY COMMUNICATIONS PROJECTS

HK100456 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 8 Apr 87

[Excerpts] Our province's communications and transport departments have successfully managed and used this year's state investments, which are bigger than last year, and have also taken a new step in concentrating their energies to ensure the construction of key projects. The first-phase work for our province's key communications projects for this year has been completed, and construction work for a number of projects including our province's first grade-1 highway project has already started.

A provincial work conference on communications, which concluded yesterday [8 April], conducted planning for this year's key communications projects and examined the progress of these projects which included a number of local railways, 2 economic trunk lines [jing ji gan xian], 5 highways for transporting Shanxi's coal to the outside world, 8 asphalt roads leading to county towns, and a number of highways leading to 50 towns and townships and to 600 administrative villages. After the completion of these projects this year, all counties will have asphalt roads, 94 percent of the province's towns and townships will have highways, 93 percent of the province's villages will have roads for motor vehicles [ji dong che], and all 10 planned highways for transporting Shanxi's coal to the outside world will be open to traffic.

To ensure construction of these key projects, this year's investment in our province's communications and transport projects will be increased by over 100 million yuan compared to last year.

The provincial communications system's freight transport volume, rotation volume of freight transport, and passenger transport volume during the first quarter of this year increased respectively by 20 percent, 21.7 percent, and 8.2 percent compared to the same period last year.

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SHANXI MEETING STRESSES PRODUCTION, ECONOMY DRIVE

HK220224 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 21 Apr 87

[Summary from poor reception] The provincial government convened a telephone conference on the evening of 21 April concerning the province's drive to increase production and practice economy and increase revenue and cut spending. Governor Wang Senhao presided.

Vice Governor Yan Wuhong reviewed the province's achievements in launching this drive in the first quarter. Industrial production rose during the period, while losses in industrial enterprises declined by 22.9 percent compared with the same period last year. Financial revenue rose by 12.8 percent compared with the same period last year.

Yan Wuhong pointed out: "Although the situation is very good, there are still many problems. During the second quarter we must further tackle the following issues:

"1. While continuing to launch the double increase and double economy drive, we must get a good grasp of economic structural reforms in the enterprises, and promote various types of contract responsibility systems.

"2. We must pay attention to improving [words indistinct] and increase income from product sales by promoting responsibility systems [words indistinct].

Vice Governor Cuo Yuhuai spoke on launching the production and economy drive in the rural areas. He said: "We must strive to improve the economic results of the township and town enterprises. They should focus this drive on improving economic results. They should change the present situation of simply pursuing output value and work for an all-round improvement of quality and for speeding up technological transformation."

He said: "We must carry forward and expand the old tradition of labor accumulation. Since capital accumulation is difficult in the rural areas, labor accumulation is particularly important there. This is a practical measure for boosting the reserve strength of agriculture. We must also work hard to curb consumption and promote investment in agriculture."

Guo Yuhuai said in conclusion: "The state is greatly reducing administrative spending this year, but agricultural capital in Shanxi, far from being reduced, is being increased. This requires that all localities pay attention to the question of the economic results of the capital spent on sustaining agriculture. This capital can only be used for production and construction."

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CSO: 4006/579

CONTROLLING PACE, MANAGEMENT OF FOREIGN BORROWING

Shanghai SHIJIE JINGJI DAOBAO in Chinese 16 Feb 87 p 12

[Article by Han Zhencai [7281 2182 2088] and Cai Haoyi [5591 3185 0308]:
"Control Pace and Strengthen Management of Foreign Borrowing"]

[Text] Foreign financiers have suggested that China should have an authoritative body to provide centralized management and supervision of foreign borrowing that should now be controlling the pace of borrowing. A certain level of foreign borrowing must be set, and the structure of such borrowing needs to be readjusted in order to reinforce the gathering of information on foreign borrowing.

Experts in the organization of international currency funds believe that in an integrated world economy an appropriate amount of borrowing from abroad can make up for shortfalls in a country's construction funds and promote the development of the national economy. However, excessive foreign borrowing may lead to an expansion of currency, destroy the international balance of payments, and aggravate the debt burden; it can also subject the national economy to interference from turbulence in the world economic situation. Therefore, a country's economic development must not rely too heavily on borrowing; economic growth based on foreign borrowing cannot be maintained for long.

Experts believe that China's foreign borrowing has increased rapidly since 1976. As China opens to the outside, its foreign debt grows day by day, and there are more and more opportunities for borrowing from abroad. For this reason, the debt question must receive the close attention of policymakers.

Experts suggest, first, that China should set a quantitative limit for foreign borrowing and ensure that this limit is not exceeded in actual practice. When this quantity is actually set, the matter must be considered not just in terms of a single project but rather in terms of the demand for foreign borrowing the economy as a whole, and the decision should be made with regard to the capacity to bear that foreign debt.

Second, the structure of foreign borrowing should be suitably readjusted. China has an excessive proportion of short-term foreign debt; at the end of 1985, the short-term foreign debt accounted for 59 percent of the entire

percent, but this is still higher than the levels of other countries. The structure of foreign borrowing should, therefore, be further adjusted to strengthen this country's capacity to stand up to the influence of changes in the world economic and financial situation.

Third, the gathering of information on foreign borrowing should be improved. Borrowers certainly need to improve their surveys and research; they must not allow themselves to be led blindly along by lenders, taking whatever loans are available. At the same time, the national foreign debt statistical system must be perfected so as to reflect the foreign debt situation on a timely, accurate and comprehensive basis.

Fourth, China should have an authoritative body to provide centralized management and supervision of foreign borrowing. In an open economy, some problems may be caused when the various sectors and productive units of the economy must all have the authority to borrow from abroad independently. For this reason, experts stress that there must be an authoritative, overall body to centrally coordinate the planning and utilization of foreign borrowing and conduct periodic inspections. In particular, they should examine borrowing by the various productive units that has not yet been reported to the government. In many countries that do quite well in managing their foreign borrowing, it is the central bank, or an institution associated with the central bank, that performs the important task of managing foreign borrowing.

Fifth, China should now bring the pace of foreign borrowing under control. China's economy is now growing rapidly, and all economic indicators are quite normal, but the pace of foreign borrowing is extremely fast, and the balance of payments situation is not good. Interest rates on the foreign debt are higher than the rate of return on borrowed investment. Once the magnitude of foreign borrowing exceeds the economy's capacity to support it, a debt crisis will occur. Therefore, China is now becoming somewhat more cautious regarding the pace of its borrowing.

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CSO: 4006/420

ARTICLE VIEWS STRENGTHENING ECONOMIC COOPERATION WITH GDR

Shanghai SHIJIE JINGJI DAOBAO in Chinese 29 Dec 86 p 4

[Article by Chen Zhen'an [7115 2182 1344]: "Economic Cooperation Between East Germany and China Will Increase, Chairman of GDR-China Committee on Trade and Technical Cooperation Tells Reporter"; First paragraph is source-supplied preface]

[Text] Secretary Honecker, on a visit to China, strongly promoted bilateral cooperation. In terms of demand in the two countries and their potential and actual production capacity, the amount of bilateral trade is too low. Without discarding the possibility of developing joint ventures, the task at this stage is to implement specific cooperative agreements and ensure on-time delivery of goods. With the disparities in the two countries' modes of thought and administrative and management systems, work methods appropriate to both sides must be sought.

After Erich Honecker, the supreme leader of the German Democratic Republic, visited China, relations between the two countries entered a new phase. Correspondingly, economic, trade and technical cooperation between the two countries also took a step up to a new level. Guenther Wyschofsky, chairman of the GDR-China Committee on Trade and Technical Cooperation and Minister of Chemical Industry, first expressed this view when visited recently by this reporter.

When Wyschofsky visited China in 1984, he was the first East German minister to go to Beijing in more than 20 years; he was quite elated at the success of General Secretary Honecker's visit to China. He told this reporter, "This visit by Comrade Honecker has deep historical significance, and has elicited positive reactions in China and around the world. Via satellite transmission, our people saw Comrade Honecker meeting China's leaders and touching scenes of his visits to Beijing, Nanjing, and Shanghai that deepened our understanding of China's long history, rich culture, and economic construction." He said that this visit was also well received by the CEMA member countries. Prior to this, Jaruzelski had made a brief working visit to China, and there will certainly be leaders of other brother countries who will continue this progress.

General Secretary Honecker's visit to China undoubtedly promoted bilateral cooperation. The GDR-China Committee on Trade and Technical Cooperation will in future carry on its work at this level.

In speaking of promoting bilateral cooperation, Wyschofsky said, "The long-term agreement signed by the two countries has set a specific task for bilateral cooperation over the next 15 years. There is excellent momentum now in several fields, and we already have fairly strong cooperation in such areas as chemical industry, coal, chemical industry machinery and machine manufacturing, and photographic materials. We have also discussed supply contracts for supplying your country with equipment for producing soda, sulfuric acid, and polyvinyl chloride. There are many other projects also being discussed now. But, on the other hand, cooperation in some other areas is still far below what it should be. For example, China's textile industry has strong production capacity and a wealth of experience, and the GDR has complete production facilities for everything from chemical fibers to leathers and artificial leathers, but to date there has been no cooperation in this area. In the near future, China's Minister of Electronics Industry will visit the GDR, and the two sides will discuss the question of long-term mutual cooperation in the electric and microelectronics industries. Our attitude is that by supplying technical tricks of the trade, patent transfers, and training for technical personnel, we can contribute our strengths to reorganizing China's old enterprises and developing new industrial sectors. We can launch cooperation either in third countries or in the two countries in the very important high-technology fields that both countries may be interested in. In short, the realm of cooperation can be expanded to all economic and technical sectors."

Wyschofsky emphasized that the current volume of bilateral trade is high when viewed historically, but, in terms of the needs of both countries' economy and potential and actual production capacity, it is too small. "Both sides should fully utilize the three major forms of contact--commodity exchange, technical cooperation, and technological upgrading--and then raise our contacts to the high level of socialist unity. In this regard, we still have many things to do. As for joint ventures, we are studying the matter and have certainly not discarded this possibility, but this is something for the future. I personally believe that our task at this stage is to implement specific, long-term cooperative agreements and ensure on-time delivery."

Wyschofsky candidly informed this reporter, "There are still disparities in the modes of thought and administrative and management systems of the two countries. The GDR will have to go further in adapting to the Chinese mode of thought. In administration and management, the GDR's joint enterprises centralize production, research, economics, and trade in one body. If we can find similar partners in China, we can greatly facilitate our cooperation. Furthermore, we have greeted delegations from many areas in China, and they all had their own views on cooperation. But when we took these proposals back to Beijing, we discovered they were unworkable, because these matters must first be negotiated with Beijing. This means that we must still find a working approach that is suited to both sides."

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FOREIGN TRADE, INVESTMENT

CHONGQING PREFERENTIAL TREATMENT FOR FOREIGN INVESTORS

Beijing JINGJI RIBAO in Chinese 3 Feb 87 p 1

[Article by Jiang Yang [1203 3152]: "Chongqing Announces Preferential Treatment for Foreign Investors"]

[Text] On 22 January the interior port of Chongqing announced its policy of preferential treatment for foreign investors which should prove quite attractive.

The chairman of the Chongqing City Foreign Economic Relations and Trade Commission Kuang Hao Wen [0400 3185 2429] said that foreign investors coming to Chongqing to operate enterprises that produce exports and that introduce advance technology will enjoy the following privileges: 1) Conditions will be made favorable: preferential treatment will be given to the supply of water, electricity, gas, coal, and transportation and communications services for the two kinds of enterprises mentioned above. Short-term revolving credit will be extended on a preferential basis. Favorable treatment will be given in the supply of land, labor, the loans, and the "three materials". 2) Regulations will be made more broad. Local income taxes will be waived as long as more than half of the output value of an enterprise with foreign investment is exported in a given year (national income tax will still be levied in accordance with regulations). Investors will be allowed complete depreciation of fixed capital assets; tax on residual asset value need not be paid. Enterprises will be given autonomy in hiring personnel and will be allowed to advertise job vacancies nationwide. 3) Taxes will be lighter. During the period in which regulations permit enterprises reduced income tax, enterprises will be completely exempt from local income tax. Income tax of enterprises introducing advanced technology will be reduced by half for three years, during which time, they will also be exempt from local income tax. 4) Procedures will be simplified. After the city's Foreign Economic Relations and Trade Commission receives applications from foreign investors, it will complete review of documents within one month.

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FOREIGN TRADE, INVESTMENT

MOFERT STATISTICS REFLECT SUCCESS IN OVERSEAS CONTRACTS

Beijing RENMIN RIBAO in Chinese 12 Mar 87 p 2

[Article by Ju Wen [1446 2429]: "China's Overseas Contracts Flourishing, Exceed \$6 Billion"]

[Text] According to statistics from the concerned departments in the Ministry of Foreign Economic Relations and Trade, at the end of 1986 China's 67 international economic and technical cooperation companies had signed more than 3,600 contracts with nearly 90 countries and regions for a total of \$6.37 billion, with \$3.3 billion in operations completed. The number of personnel working abroad under contract averaged approximately 50,000 per month; in 1986 alone, 845 new contracts were signed and \$940 million in operations was completed.

China's new overseas contracting and labor cooperation activities are resolutely implementing the operating principles of contract performance, quality assurance, low profit, and equitability; a new path of reform is being sought out, and a stable foothold has been gained in the fiercely competitive labor services contract market. China's overseas contracting and labor services cooperation are now becoming more diversified. All the companies are moving away from subcontracting for civil engineering works and providing only labor services toward principal contracting for large-scale construction projects and projects involving complete equipping, and they are offering such technical services as consulting, feasibility studies, software design, transfers of production technology, and expert training. This year China will continue contracting for cash projects and trying to adopt flexible and varied forms of doing business and to open up new markets.

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CSO: 4006/420

FOREIGN TRADE, INVESTMENT

STATE ECONOMIC COMMISSION ON ELECTROMECHANICAL EXPORTS

Beijing ZHONGGUO JIXIE BAO in Chinese 20 Jan 87 p 1

[Article by Yang Qing [2799 7230]: "Seize Opportune Moment To Sustain Upward Momentum and Create a New Situation Following Records Set Last Year in China's Exports of Electromechanical Products, National Conference Ends in Beijing"]

[Text] In 1986 China's exports of electromechanical products reached record levels. All evidence shows that China's exports of these products have taken a heartening turn. Against this background, the national conference on exports of electromechanical products, which ended in Beijing on 14 January, was packed with good spirits and enthusiasm.

The reasons behind this turn for the better and the growth momentum in exports of these products certainly have to do with the strong Japanese yen, the rising Deutsche mark, and other international factors; the most important, however, is the state's incentive policy and its use of focused support.

"However, all these things are just good beginnings," said Lin Zongtang [2651 1350 2768], vice minister of the State Economic Commission, who pointed out in his speech to the conference that the most salient problems at present are: 1) many problems remain in the processing, assembly, painting, packaging, and shipping quality of many exported products; 2) policies still have not been fully implemented, and many commodities are still selling better domestically than abroad; 3) improvement in the relationship between industry and trade is still just beginning, and a great deal of work remains to be done; 4) the problems of inflexibility in commerce, weak marketing, and incomplete services have not yet been basically solved; 5) domestic and foreign work efficiency is low, and there is a lack of resoluteness and fast reaction in work attitudes, so that the demands of the "international trade war" cannot be met.

Therefore, Comrade Lin Zongtang said, our efforts must be redoubled in the new year to continue implementing policy measures and to further implement the relevant documents of the State Council; there must be smooth implementation of test sites in the electromechanical products export system, so that in 1987 exports will again increase by \$500 million.

It was learned at the conference that the state has again amended, improved and supplemented its incentive policies toward electromechanical exports;

this includes solving the problem of better sales domestically than abroad, appropriate readjustment of the percentage of foreign exchange retention, simplifying import procedures for necessary raw materials and parts, development of international market funds, solving the difficult problem of technical services for overseas marketing, etc. These policy measures will further promote China's exports of electromechanical products.

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CSO: 4006/420

FOREIGN TRADE, INVESTMENT

PRC INVESTMENT IN HONG KONG'S MANUFACTURING INDUSTRY

Shanghai SHIJIE JINGJI DAOBAO in Chinese 23 Feb 87 p 5

[Article by Xie Ping [6043 1627]: "PRC in Third Place in Investment in Hong Kong Manufacturing; United States in First Place, Japan Second, Great Britain Fourth"]

[Text] The Hong Kong Ministry of Industry has announced that last year investment by China in Hong Kong's manufacturing industry reached \$2,851,000,000, accounting for 18.4 percent of all foreign investment and putting China in third place; 35 Chinese enterprises invested in Hong Kong, creating 5,000 jobs. Products invested in include nonmetal ores, chemicals, electronic products, etc. This amply demonstrates that while China is utilizing foreign capital, she is also enthusiastically investing abroad, to achieve overall economic development.

Last year, total foreign investment in Hong Kong manufacturing was HK\$15.5 billion; of this, the American investment was HK\$5,659,000,000, accounting for 36.4 percent of all foreign investment and putting the United States in first place. Japanese investment totaled HK\$3,273,000,000, or 21.1 percent of all foreign investment, putting Japan in second place. British investment reached HK\$1.51 billion, or 6.8 percent of the total, putting Britain in fourth place.

In addition, PRC trade with Hong Kong amounted to \$10.58 billion last year, a 6.3-percent increase over the previous year; PRC imports from Hong Kong totaled \$4.1 billion, and PRC exports to Hong Kong amounted to \$7.46 billion. Hong Kong is China's largest export market.

One major reason for the large influx of foreign capital into Hong Kong last year is that foreign businessmen are now viewing Hong Kong as a bridgehead into China. In addition, since the signing of the Sino-British joint declaration, Hong Kong's future has looked very bright, making foreign businessmen feel very confident about investing there; a second reason is that Hong Kong is a free port and has an excellent investment climate. Hong Kong is one of the largest international financial centers in the Far East, with a well-developed transport and communications network and all types of skilled personnel. Moreover, the Hong Kong Government has always had open policies and treated foreign businessmen equitably. It therefore has a strong attraction for foreign capital. A third reason is that interest rates on the Hong Kong

dollar are rather low, so that investing in Hong Kong helps to lower costs. This has been an incentive for large inflows of foreign capital; Japanese investors, in particular, have taken advantage of the rise in the value of the yen to flood into Hong Kong.

It appears right now that investment by foreign businessmen in Hong Kong is still in the ascendent.

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CSO: 4006/454

FOREIGN TRADE, INVESTMENT

BEIJING PROMOTES SINO-FOREIGN JOINT VENTURES

OW171305 Beijing XINHUA Domestic Service in Chinese 0014 GMT 16 Mar 87

[Article by reporter Li Yafei]

[Excerpts] Beijing, 16 Mar (XINHUA)--When the first four-wheel-drive cross-country motor vehicle rolled off the production line of the Beijing Jeep Limited Co. a year and a half ago, it incited the curiosity of many people in the streets. Now more than 1,000 such vehicles have been sold in various provinces and cities, and they have begun to enter the international market for the first time.

The Beijing Jeep Limited Co. is only 1 of 72 foreign-capital-invested enterprises that have begun production operations in Beijing. According to an official responsible for Beijing's foreign economic relations and trade, over 90 percent of these enterprises have scored marked results, and the majority of the products turned out by 30 production-oriented enterprises have reached international standards of the early 1980's.

It is learned that, as of the end of last year, Beijing Municipality had approved the establishment of 189 enterprises with foreign investment, absorbing nearly \$1 billion of foreign capital from over 20 countries and regions. These enterprises deal in food processing, light and textile industry, electronics, machine building, urban infrastructure, seed cultivation, livestock and poultry raising, slaughtering and meat processing, tourism and hotel business, recreational facilities, car renting, maintenance services, and so forth. Currently Beijing Municipality is carrying out the State Council's regulations on encouraging foreign investment, and is working to create a more favorable environment for the development of Chinese-foreign joint ventures by reducing or eliminating taxes, reducing fees and charges, ensuring material supply, and simplifying examination procedures for establishing enterprises.

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FOREIGN TRADE, INVRSTMENT

ZHENG TUOBIN URGES REGULATION OF TRADITIONAL EXPORTS

Beijing JINGJI RIBAO in Chinese 11 Feb 87 p 1

[Article by Yin Ke [1438 0460]: "China Will Readjust Mix of Traditional Export Commodities; Higher Costs and Lower Benefits Require Limiting Purchases and Controlling Exports"]

[Text] On 9 February the Minister of Foreign Economic Relations and Trade, Zheng Tuobin [6774 2148 1755], stated that China's exports of traditional commodities are facing a crucial period. If handled properly, development can continue; if not handled properly, retrenchment may be necessary. The time when it was possible to rely on raising purchase prices to ensure sources of goods for exports is now past; new export strategies and measures must be implemented.

Zheng Tuobin indicated that this year there will no longer be export assignments in excess of plans for agricultural and sideline native produce, in order to give trading companies dealing in such goods time to adjust their export mix. He revealed that MOPERT will soon adopt a series of measures limiting purchases and exports of certain commodities yielding poor economic benefits.

Zheng Tuobin was speaking at a meeting of managers of the China National Native Produce and Animal Byproducts Import and Export Corporation. China's traditional export commodities are mainly native produce, animal byproducts, and grains and oils; their abundant resources, moderate prices, and superior quality are known worldwide. In recent years, however, the costs of these traditional exports have risen sharply, for various reasons, and their economic benefits have fallen off greatly. Regarding this situation, Zheng Tuobin stated that if the situation with traditional exports does not allow for optimism under current, foreign trade strategies, policies and measures, then we must resolve to readjust the commodity mix, improve management, improve returns, and bring purchase prices under control, at the same time taking effective measures and vigorously supporting and developing exports of those commodities yielding good economic benefits.

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CSO: 4006/454

FOREIGN TRADE, INVESTMENT

BRIEFS

QINGHAI FOREIGN EXPORTS--By the end of March this year, Qinghai Province fulfilled 33 percent of its annual foreign-trade export plan, an increase of 260 percent as compared with the same period last year. By the end of the first quarter, the province has fulfilled 50 percent of its annual plan for exporting large quantities [da zong] of agricultural, sideline, and special local products. The province's number of livestock products exported during the first quarter increased by over 700 percent as compared with the same period last year. [Summary] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 14 Apr 87 HK]

CSO: 4006/549

ECONOMIC ZONES

REGIONAL ECONOMIC LAW FOR SHANGHAI ECONOMIC ZONE

Shanghai SHIJIE JINGJI DAOBAO in Chinese 23 Feb 87 p 14

[Article by Liu Kang [0491 1660] and Zhou Xinghong [6650 0228 4767]: "Shanghai Economic Zone Should Have Regional Economic Law"]

[Text] In the several years since the Shanghai EZ was created, it has demonstrated its characteristic economic energy in such areas as opening to the outside, invigorating the domestic economy, and promoting horizontal economic integration; it has come to be viewed as an energy field radiating energy into China and abroad. Such a zone of ever-increasing regional economic activity and complex, intertwining economic relationships should have formulated for it as quickly as possible its own economic laws adapted to the characteristics of the region's economic growth; these laws would replace the traditional system of management by administrative divisions, and would then lead to the creation of economic mechanisms within the region.

The Shanghai EZ, which encompasses six-sevenths of eastern China and three-fourths of the east coast, has a long-established and deeply rooted commodity economy. Moreover, the zone's current economic legislation is divided up both in its formulation and its execution by the old administrative divisions; adjustments are directed solely at economic activities within each administrative division; with each district doing its own thing, there is no uniform model of economic behavior that can be followed for economic activities between the various administrative divisions within the zone. In the last few years several problems have arisen that have been very difficult to resolve, such as the blockade of technical trade between regions; it has been difficult to solve disputes over economic contracts, and there has been no way to direct economic resources towards enterprises and sectors that yield high benefits; regional price differences have created many false benefits and deceptive profits; distribution of profits following technology transfers has been irrational; social benefits from movements of skilled personnel have been low; and so on.

The EZ as it now exists is based primarily requirements posed by the economic activities within the zone. The current system of laws have been formulated to coincide with administrative divisions. Thus the laws are not conducive to the development of a commodity economy which requires interregional economic

activity. Adjustments urgently need to be made in the laws of higher administrative bodies so that they are in line with the activities of the zone.

Legislation is a systemic undertaking. Taking the EZ as the main system and the various unique areas within the EZ as its subsystems, formulating the relevant legislation will make it possible to ensure smooth sailing for the various economic elements within the zone, without friction or obstruction. Therefore, the Shanghai EZ should have its own "regional economic law."

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ECONOMIC ZONES

SHANGHAI EZ TO SPEED DOMESTIC OUTPUT OF COLOR TV SETS

Beijing ZHONGGUO SHANGYE BAO in Chinese 5 Feb 87 p 3

[Article by Shan Biao [0830 2871] and Yan Weihua [0917 5898 5478]: "Shanghai EZ Planning To Accelerate Domestic Production of Color Televisions; Significant Breakthrough Expected in Domestic Production in Few Years, 1990 Output to Reach 5.13 Million Sets"]

[Text] Recently the directors of the bureaus of electronic industry from Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian, and Shanghai gathered in Nantong to make plans for accelerated domestic production of color televisions in the Shanghai EZ.

The Shanghai EZ currently has 14 plants producing color TV sets and 254 parts plants, which comprise 5 associations, including the Jinxing, Xiapu, and Dongzhi associations, whose color TV production capacity accounts for 32 percent of the whole country's, and whose average level of domestic production is more than 80 percent. In order to better exploit the technical advantages of these areas, to form complete associations, and to accelerate the domestic production of color TV sets, the color TV experts from the five provinces and Shanghai, taking into account the distribution of parts plants, made comprehensive plans for establishing an integrated enterprise group to study, produce, and market color TV sets produced domestically, and for jointly designing models for domestic color TV sets. Within a few years, color TV production in the Shanghai EZ is expected to achieve a significant breakthrough, with production capacity reaching 5.13 million sets in 1990.

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CSO: 4006/420

DISCUSSION OF NEW MODEL FOR SHENZHEN'S DEVELOPMENT

Shanghai SHIJIE JINGJI DAOBAO in Chinese 26 Jan 87 p 13

[Article by Wang Zhuo [3769 3820]: "An Inquiry Into a New Model for Shenzhen's Development"]

[Text] We need a theoretical breakthrough and a new approach in the present period of new development in the Shenzhen Special Economic Zone. I think our approach should change from a concept of "one country, two systems" to a concept of "one system, two forms." When I refer to "one system" I mean the principle component of the "one country, two systems" concept, namely the socialist system. When I refer to "two forms" I mean that within the socialist system there should be two kinds of systemic models for opening the nation to the outside world. Therefore, our theory of opening the country to the outside world should develop from one in which we open up at only one level to a theory of opening up at multiple levels (namely a theory of opening up in stages). With this perspective we should implement two kinds of systemic models in our foreign economic relations--an open-system model and a completely open-system model. Today, Shenzhen is ready to pass through the transition from an open system to a completely open system. At the same time, each of the country's four SEZ's has its own characteristics. Shenzhen's special characteristics have determined that it will be the model for economic internationalization of the SEZ's in the following areas: market system internationalization, enterprise management internationalization, commodity standards internationalization, and urban function internationalization. This sort of SEZ model can both increase the competitiveness and the attractiveness of the SEZ's, and create the conditions for the implementation of the "one country, two systems" concept by exploring new experiences in economic management and coordination work.

Some views on questions regarding Shenzhen's new period of development and the concept of "one country, two forms" are put forward below.

1. The tasks of Shenzhen's opening up and laying a foundation have been basically completed. Now it has already entered a new phase of expanding development.
2. The major purposes of Shenzhen's new phase are as follows: to increase economic strength, competitiveness, and attractiveness; to expand the use of

foreign investment including starting new enterprises with foreign investment; and, at the same time to positively develop enterprises for cooperation with units in the interior.

With regard to the formation of the industrial structure of the SEZ, this will hinge on the demands of the international market and the intentions of investors. Investment projects in the SEZ's should be screened, and the key objective of the new phase should be development of the SEZ industrial structure.

3. The key measures for achieving the objectives of Shenzhen's new period are perfecting the software investment environment and improving the attractiveness of the SEZ for foreign investment. This so-called software investment environment includes lowering manpower costs (wages, efficiency); raising the quality of staff and workers, especially the quality of entrepreneurs; and improving our work efficiency. We must cultivate SEZ cadre ranks which are of high quality and purity, and make Shenzhen a "window for healthy government" as well as a "window for legal institutions."

4. The key issue for determining whether Shenzhen can further open up is the issue of ordering the relationship of Shenzhen with the domestic market, the external market, and the international market. This is done by coordinating the management function of the "first line" and the "second line," and by implementing the completely open-system model. After careful consideration, the implementation can be divided into two steps.

Step number one: First, Shenzhen should be managed as a domestic region, but also as an intermediate zone for customs management purposes. The line of demarcation for customs management of imports should be moved to the "second line." Those commodities, vehicles, and foreign personnel which are transported across this "second line" from Shenzhen will be strictly managed in accordance with national regulations. With regard to those commodities, vehicles, and personnel from outside the country which enter across the "first line," the nation invests Shenzhen with the right to manage them according to principles which combine both openness and protectiveness.

The demarcation line for the customs management of exports will still be at the "first line." Customs management of export commodities will be conducted according to regulation and the exporter will be responsible for handling foreign exchange. The relationship between Shenzhen and the interior will be managed according to the two area's distinctive conditions.

Step number two: Next, Shenzhen should still be managed as a domestic region, however it should also be treated as an exterior territory for customs management purposes. The line of demarcation for customs management will be established at the "second line." Commodities, vehicles, and personnel crossing the "second line," and going to or coming from Shenzhen, will comply with procedures for management of imports and exports, immigration and emigration. The nation will invest Shenzhen with the right to manage the "first line" of demarcation under principles of absolute national sovereignty

and the national interest. Shenzhen will also employ principles which combine openness and protectiveness in managing this "first line."

5. The key to whether Shenzhen can become more "special" lies in the relation between the national macroregulation of the "big cage" and Shenzhen's macroregulation of the "small cage." The spheres of macroscopic management of the two "cages" should be differentiated.

The national macroregulation of the "big cage" in economic terms involves four areas: a) Credit funds will continue to be apportioned to Shenzhen, existing stocks will be linked, and responsibility taken for the management of the equilibrium of credit funds; b) export licenses for fresh and live commodities exported to Hong Kong and Macao will be apportioned. In the future the procedure will be changed into one of public bidding, and those with the lowest costs for earning foreign exchange will be given preference in exporting; c) export commodities with quotas will be apportioned to Shenzhen; d) the proportion of new investment projects for import substitution commodities and those for domestic consumption must be reported and approved by the responsible department.

Regarding finance and foreign exchange, Shenzhen will continue to be responsible for maintaining equilibrium; internal and external debt will also be the responsibility of Shenzhen. After a few years when Shenzhen has strengthened its economy, we will once again appraise the matter of turning over finances and foreign exchange to higher authorities.

6. Shenzhen's location near Hong Kong gives it a natural advantage in learning how to swim in the ocean of the international market, and in learning the skills of international competition. Shenzhen's development strategy should keep in mind the current world situation and the potential for economic development of the Pacific rim region. It should also manage its relationship with Hong Kong for mutual benefit, promote a constructive dialogue, coordinate development, and promote mutual prosperity. Shenzhen should unite with Hong Kong to enter the world market. Shenzhen should also unite with Hong Kong to develop the Pearl River delta and the south China economic area, and draw in foreign capital via developing countries. It is estimated that there is \$1 trillion in liquid funds in the world. How much of this can Shenzhen attract? This is the central question for the economies of developing areas. Of course funding alone is not the full answer, even more important is talent. Japan's growth plan of the 1950's relied upon talented people. The American development of high technology also relied upon talented people, 100,000 of whom were attracted from abroad. Therefore, Shenzhen must cultivate talent and widely recruit talented people both at home and abroad. Shenzhen needs management talent, technological talent, and more importantly entrepreneurial talent. Having both funds and talent we should emphasize several important investment projects, push forward in the development of a group of medium and small enterprises, and at the same time vigorously open up foreign exchange creating properties. Some say that Shenzhen will become Asia's fifth dragon. I believe that conditions are favorable. With regard to whether or not this can be done, the key questions are: will Shenzhen

implement the completely open-system model, will it implement the special zone model of economic internationalization, and will it implement a completely open and genuine policy of "specialization."

The above is only an initial concept. A determination of whether or not it can be done still awaits penetrating investigation and scientific proof. I suggest that Shenzhen organize an efficient group to specially study the question of perfecting the software investment environment. I think this is the important problem which must be solved if Shenzhen is to enter a new stage of expanded development.

The so-called "one system" means the socialist system which is the principle part of the "one country, two systems" concept. The so-called "two forms" indicates that within one system we should implement two kinds of systemic models in our foreign economic relations. These are an open-system model and a completely open-system model. Shenzhen is ready to pass through the transition from an open system to a completely open system.

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ECONOMIC ZONES

SHENZHEN CUT BACK CAPITAL CONSTRUCTION IN 1986

Shenzhen SHENZHEN TEQU BAO in Chinese 16 Mar 87 p 1

[Article by Ye Zhaoping [0673 0340 1627]: "Practical Measures Taken To Cut Back Capital Construction; Last Year City's Actual Capital Construction Totaled 1.91 Billion Yuan, 30.6 Percent Below Previous Year"]

[Text] Last year this city adopted six measures that effectively checked the scale of capital construction in the city. This reporter learned from the concerned departments that construction on 804 projects in all was either halted or slowed; actual construction amounted to 1.91 billion yuan, 30.6 percent below the previous year. This approach not only ensured that key projects were carried out and raised project quality, it also played an important role in achieving sustained, stable, and coordinated growth for the entire national economy.

In order to be able to bring capital construction under control practically and effectively, the city formulated and implemented six forceful measures last year: departments and units were not allowed to exceed planning targets, and work on projects outside the plans was not allowed to begin without authorization; no new districts were opened, and in principle no multistory building complexes, hotels, or other new projects were allowed; the scale, surface area, and standards of projects involving financial investments were not allowed to be modified or to exceed the plans without authorization; construction units were not allowed to accept deferred payments or to go without payment temporarily to assist developers wishing to start new projects; projects not included in the plans could not receive bank loans or project expenses; efforts had to be made to halt or slow down construction.

The concerned city departments implemented each of these measures. They organized three major inspections, applying stringent penalties to anyone or anything in violation of these six regulations. In order to halt or slow down projects, the departments first sorted through all capital construction projects, subjecting the 1,523 projects under construction or already approved to a thorough sifting and winnowing; prioritizing the projects, they halted or slowed construction on 804, of which 51 were buildings over 18 stories. For projects which they decided should be built, every effort was made to lower construction standards according to actual need while ensuring quality, in order to rectify the tendency toward the blind pursuit of luxury and style.

Since this effective cutback in capital construction, the structure of capital construction investment in this city has become more reasonable, ensuring construction of certain key projects, with care taken to use limited funds on key projects to develop export-oriented industry, transport, telecommunications, and energy. The Shajiao B power plant, the floating glass factory, the railroad suspension bridge, the Wutongshan tunnel, the cigarette works and other key projects all met their construction schedules, improving socioeconomic benefits on the capital construction front.

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ECONOMIC ZONES

ZHUHAI INDUSTRIAL OUTPUT UP 45.5 PERCENT

HK171115 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0232 GMT 15 Apr 87

[Report by reporter Lu Zhifan (0712 2535 0416): "Zhuhai's Industrial Production Gained Momentum in the First Quarter of This Year"]

[Text] Zhuhai, 15 Apr (ZHONGGUO XINWEN SHE)--Zhuhai City's total industrial output value of the first quarter of this year reached 293 million yuan, 45.5 percent over the same period last year. Mayor Liang Guangda held that this is a good start in shifting the focus of the special zone's work to "grasping production, acquiring a higher level, and increasing economic results."

Zhuhai's total annual industrial output was 590 million yuan in 1985. But that of the first quarter of this year was already about half of this figure. Liang Guangda told reporters that there will be no problem for Zhuhai's industrial output value to exceed 800 million yuan this year. He said that this year is an important year for Zhuhai to shift from doing foundation work and undertaking capital construction to mainly developing an industrial and foreign-oriented economy. Industrial projects should be developed in a steady and coordinated manner, but the crucial thing is to acquire a higher level and increase economic results. He held that the increase in output in the first quarter of this year of a number of industrial projects put into production last year is a manifestation of their normal production characterized by yielding good economic results.

According to an analysis, one of the reasons why Zhuhai had such a big increase in the industrial output value in the first quarter of this year was that 35 new enterprises had been put into operation since the second quarter of last year and the output value of these enterprises accounted for more than 10 percent of the total output value of the first quarter. The second reason was that a number of old enterprises had begun to yield greater economic results following consolidation and technical transformation. In addition, most enterprises which processed imported materials for foreign businessmen received sufficient materials for their work in the beginning of this year and sales of electronic products increased after the Spring Festival.

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FINANCE, BANKING

DEVELOPMENT OF CAPITAL FUNDS MARKET VIEWED

HK260828 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 87 pp 47-52

[Article by Liu Hongru (0491 7703 0320) and Zhang Zhiping (1728 1807 1627) of the Head Office of the People's Bank of China: "China's Developing Capital Funds Market"]

[Text] The "Report on the Seventh 5-Year Plan" presented by Premier Zhao Ziyang in 1986 affirms the necessity and importance of opening China's capital funds market. It states that while the markets in consumer goods and the means of production are undergoing continual expansion the capital funds market should simultaneously be created and established step by step.

Establishing a capital funds market in a socialist country amounts to a major breakthrough in both theory and practice. Developing a planned commodity economy necessitates establishing a complete system of socialist markets. While markets in consumer goods, the means of production, and technology, coupled with a rational flow of labor, are gradually taking shape and developing, a socialist capital funds market must correspondingly and simultaneously be created and established. Under the system of vertical distribution of goods and materials the establishment of China's financial system and the functioning of that system over the past several decades have been governed by the principle of "money following the movement of material resources." Currently, the system of vertical allocation of funds by various specialized banks still adheres to this model which violates laws of the commodity economy. Under this system the horizontal flow, extensive raising, flexible transactions, and effective use of funds are restricted by both bank authorities and local authorities. Various specialized banks and localities rigorously restrict the "outflow of funds" so that the horizontal flow of commodities, technology, and services is in practice very difficult. With the development of the socialist planned commodity economy and the gradual further progress of the economic system reform people have increasingly more clearly realized that in order to develop horizontal economic links, increase the scope and effectiveness of raising capital funds and capital funds transactions, improve macroeconomic control by the central bank, and increase flexibility in monetary regulation, we must establish a socialist capital funds market in China according to the laws of the planned commodity economy, bring the demand side and supply side into direct contact, and allow equitable transactions that conform with market principles. Moreover, we should develop many different instruments and forms of capital funds transactions. We should

open up other channels for capital funds transactions in addition to perfecting the banks as the main channel for such transactions to cope with various needs arising from the continual development of horizontal economic links. And we should gradually create a financial mechanism which integrates indirect capital funds transactions between enterprises and individuals which feature many different forms of financial assets and capital funds transactions and which can satisfy many different needs related to the raising, investment, and transaction of funds.

With the continual advances in the reforms of China's economic system and financial system a commodity-economy mechanism has been initially created in China through gradual exploration and practice over the past 2 years or more. Correspondingly, different categories of suppliers and borrowers of funds have begun to consciously follow market laws and methods in capital funds transactions. The categories of financial instruments have been continually expanding, and various categories of financial institutions, particularly nonbank financial institutions, have begun to create a market where the demand for and supply of funds can be realized. China's socialist capital funds market is gradually developing.

I. Present Situation of China's Capital Funds Market

The "Resolution of the State Council on the Execution of Central Bank Functions by the People's Bank of China" was promulgated in September 1983, and on 1 January 1984 the People's Bank of China officially became China's central bank. The Bank of Industry and Commerce broke from the People's Bank of China and became a specialized bank in charge of industrial and commercial credit and savings services for urban residents. This caused a radical change in China's financial system. A socialist financial system has initially been created whereby the central bank exercises leadership, the specialized banks constitute the main body of the system, and various categories of financial institutions undertake mutual cooperation. On top of this, the credit and funds management method, practiced over many years in the past and characterized by vertical distribution and the earmarking of special funds for special uses, has also undergone drastic changes. On 8 October 1984 the People's Bank of China promulgated the "Trial Method for Credit and Funds Management," which stipulates the following principles governing credit and funds management: "Unified planning; categorization of funds; loans and deposits as actual sums of money; and re-allocation through capital funds transactions." In conformity with this set of principles interbank lending and borrowing of short-term funds has gradually developed between various specialized banks and between the branches and sub-branches of specialized banks in various localities.

The development of interbank lending and borrowing, which has been endorsed by financial circles all over China, amounts to a major reform in China's capital funds management system. In January 1986 the State Commission for the Reform of Systems and the People's Bank of China jointly convened a seminar on trial financial-system reform which was attended by delegates from five cities, including Guangzhou. At the seminar interbank lending and borrowing was considered an important part of the trial financial-system reform and it was clearly laid down that the form, term, and interest rate of any interbank loan can be agreed upon by the lender and borrower according to market conditions. On 7 January 1986

the State Council promulgated the "PRC Interim Regulations on Bank Management" in which some documents, like "the Lending and Borrowing of Funds Between Specialized Banks Can Be Practiced: and "Interest Rates Applicable to Lending and Borrowing Between Specialized Banks," are included in financial rules and regulations. Interbank lending and borrowing has now started all over China. The money market for 7 cities included in planning, with Wuhan as the center, the money market for 7 cities in central Liaoning, with Shenyang as the center, the money market for the Shanghai Economic Region, with Shanghai as the center, and the money market for 12 cities with Kaifeng as the center, have initially attained a considerable scale. In large and medium-sized cities lending and borrowing among bank branches or subbranches in the same city is now practiced on a wide scale. In Shanghai, Nanchang, Dandong, and so on, the offices under the local branches of specialized banks have also directly entered the money market. Taking full advantage of temporal, local, and occupational differences in the use of funds, they deploy funds flexibly, quicken the turnover of funds, and raise efficiency in the use of funds.

The vigorously developing nonbank financial institutions now also actively participate in the money market. An increasing number of rural credit unions, trust and investment companies, and urban credit unions are learning to use the money market to deploy funds. They often choose the desired scope and mode of inter-institution short-term lending and borrowing in light of their own individual characteristics. Trust and investment companies often take advantage of their own strong points of great economic strength and wide scope of activities to extend their lending and borrowing of short-term funds to other cities or provinces, while rural and urban credit unions directly participate in the interbank money markets of their own cities, or lend or borrow short-term funds among themselves. The small capital funds market on Hanzheng Street in Wuhan represents one form in which urban credit unions organize inter-union lending and borrowing of short-term funds on their own. In this small market 14 urban credit unions lend and borrow short-term funds among themselves. The term of any loan is determined through negotiation and the relevant interest rate depends on market conditions. Thus market principles are relatively fully followed. It can therefore be seen that the scope of inter-institution lending and borrowing of short-term funds in China has now surpassed interbank transactions and now includes nonbank financial institutions' transactions. Therefore, to be accurate, the money market currently taking shape is an inter-financial institution market in short-term loans.

The acceptance and discounting of commercial bills by specialized banks are also undergoing vigorous development and subject to intensive study. Trial acceptance and discounting of commercial bills by banks started as early as in the first half of 1980. In conformity with the demand posed at that time for invigorating the economy through regulation by the market mechanism under the planned-economy system, the Shanghai branch of the People's Bank began to study the question of discounting bills of exchange. At a meeting convened in Xiamen by the Head Office of the People's Bank of China in the second half of 1980, the following opinion of the leading comrades of the State Council was communicated: All traditional banking businesses advantageous to socialist modernization can be operated. Consequently, in early 1981 [the] Shanghai branch of the People's Bank decided to initially experiment in two localities to gain new experience. In February 1981 the bank's offices in Yangpu and Huangpu in Shanghai on a trial basis jointly performed the first local discounting of a commercial acceptance

bill. Later, the Xuhui area office in Shanghai and the Tianchang County sub-branch in Anhui on a trial basis jointly performed the first discounting of a bank paper involving banks in different localities. In May 1982 the head office of the People's Bank of China gave an official written reply to the Shanghai Branch's "Report on Restoring the Bill Acceptance and Discounting Business and Request for Instructions Thereon," endorsing the method of experimentation and the experience gained. Moreover, it experimented with this business in Chongqing, Hebei, Shenyang, and so on. In December 1984, having reviewed the experience gained by Shanghai, Chongqing, etc, in experimenting with commercial bill acceptance and discounting business, the People's Bank issued to the lower levels the "Interim Procedures for Accepting and Discounting Commercial Bills," expressing its decision to start this business in April 1985 on a nationwide basis. In 1986 it also officially started the rediscounting of bills discounted by specialized banks. Currently, the development of commercial bill acceptance, discounting, and rediscounting businesses in various parts of China is not balanced; the development is faster in Shanghai, Shenyang, and so on. According to incomplete statistics, between January and June 1986, the Shanghai branch of the Bank of Industry and Commerce accepted and discounted bills worth around 230 million yuan, and rediscounted bills at the People's Bank worth 40 million yuan. In contrast, some cities had just begun.

According to international classifications, the acceptance and discounting of commercial bills, just like the banks' receiving deposits from enterprises and individuals and granting loans, come under the category of negotiated-rate loans markets, whose characteristics are that the two parties involved in a transaction share a relatively steady seller-customer relationship. The price decided upon in a transaction varies with the person, time, or place involved. And the financial claim or liability cannot be freely transferred. Strictly speaking, the acceptance and discounting market is not a capital funds market. By the latter we mean an open market where the seller-customer relationship is casual and loose, prices involved in transactions are uniform and publicly quoted, and financial claims and liabilities can be freely transferred. Markets in stocks, bonds, and short-term loans are capital funds markets. Bank paper markets abroad refer to the interbank transfer and transaction of commercial bills accepted and discounted by banks. Thus, they belong to the category of open markets. In China bank papers have not yet become a financial instrument of this category. From this viewpoint, China's market for commercial bill acceptance and discounting has initially been formed, while the bank papers market is still in an elementary and beginning stage of development.

While banks were vigorously making the use of funds flexible by means of the market mechanism, direct capital funds transactions between enterprises or between enterprises and individuals also emerged as the times required. In 1983 enterprises' capital fund raising activities, geared to the production of commodities in short supply and important materials and raw materials, began to multiply, while the development of enterprises in rural towns greatly promoted the formation of those direct capital funds transaction channels. In July 1984 the Tianqiao Shopping Center announced to the public its intention to raise capital through a share issue, setting the first precedent since the founding of the PRC for a state-run enterprise to directly raise funds from the public. Subsequently, in Guangdong, Shandong, Liaoning, Shanghai, Zhejiang, and so on,

many enterprises began to issue shares and bonds to their own workers and the public. These and other capital fund raising activities which bypass banking intermediaries are all called "raising funds from society."

Enterprises raise funds from society in mainly two ways: First, issuing shares; and second, issuing bonds. Those that issue shares are mostly enterprises under collective ownership. They usually issue shares to their own workers in order to tackle temporary difficulty in obtaining funds or to obtain funds needed for short-term investment in fixed assets. Therefore, the majority of their shares are redeemable. Moreover, these shares mostly have a maturity of less than 5 years. Some state-run enterprises and large collective enterprises also issue redeemable shares to their own workers in order to link the workers' interests to the enterprises' operational results, and to further mobilize the workers' enthusiasm in production. Currently, except in Shanghai, the direct issuance of shares to the public is rare. Bonds are mainly issued by state-run enterprises and large collective enterprises. The main aim of raising capital through borrowing is to finance technological transformation projects. Bonds are mainly issued to the public. They usually carry both interest and bonus payments to attract a large number of buyers.

Considering income yielded, there are mainly two kinds of shares: "Ordinary shares" yield dividends but not interest, and in principle dividends are distributed only if a profit has been earned; therefore, the ratio of dividends to share's face value is usually rather high. Another kind of shares are "preference shares" which yield both interest, the payment of which is guaranteed, and dividends. The rate of return is usually determined with reference to interest rates on banks savings deposits of the same maturity. These shares are less risky in yielding an income, and so the ratio of the sum of dividends and interest to a share's face value is slightly lower than the ratio for those shares which yield dividends but not interest. Bonds include ordinary bonds, which yield interest on the debts they represent, usually at a rate slightly higher than the interest rate on savings deposits of the same class in banks, but no bonus payments, and bonds carrying a very low interest rate and also a definite probability earning bonuses. Currently, the majority of bonds issued by enterprises have a maturity of less than 3 years, the most common term is 1 year. In all cases, all interest is paid only upon maturity when the principal is repaid.

The rapid development of trust and investment companies satisfies the need for this kind of direct capital funds transactions. The "PRC Interim Regulations on Bank Management" of 1986 provides that trust and investment companies act as agents for enterprises in their "issuance of securities." Some specialized banks have correspondingly taken up the business of acting as agents for enterprises in the issuance of shares and bonds.

On 5 August 1986, with the approval of the Shenyang branch of the People's Bank, the Shenyang Trust and Investment Company began to experiment with the secondary transaction of enterprises' bonds, buying and selling eight kinds of bonds issued by six enterprises of the city, and also starting the business of mortgaging those bonds. On 26 September 1986 the Shanghai Bank of Industry and Commerce started the business of acting as an agent for buying and selling shares on spot.

Experimentation with the secondary transaction of shares and bonds in those two places indicates that China's experimentation with the exploration of the share and bond markets have entered a new stage of development. Currently, this experimentation with the exploration of the share and bond markets have entered a new stage of development. Currently, this experimentation is being conducted only in the few cities carrying out the trial financial-system reform under the control of the People's Bank of China. The experience gained will be reviewed and a path will be further opened up.

Specialized banks and other financial institutions are also enthusiastically using this developing open capital funds market. In July 1985 the People's Bank of China granted approval to the Bank of Industry and Commerce and the Bank of Agriculture to issue financial-institution bonds to individuals in cities and in the countryside respectively. These bonds have a maturity of 1 year and carry an annual interest rate of 9 percent. In 1986 these two banks continued to issue bonds, and in addition, the Bank of China, the Bank of Construction, and some trust and investment companies are also vigorously making preparations for issuing financial-institution bonds. These financial assets with a maturity of 1 year have become an important instrument in China's emerging capital funds market.

The government's national debt, created for appropriately pooling the financial resources of various quarters and raising funds for construction, has also been an important part of China's capital funds market. As early as in 1950 China issued People's Victory Bonds, which were to be repaid in kind of maturity, and between 1954 and 1958 Economic Construction Bonds were issued. All those bonds were fully repaid by 1968. In 1981 our government began to issue 10-year treasury bills in order to make funds available for key construction projects in the areas of energy resources, communications, and so on. In 1985, 5-year treasury bills began to be issued.

Issuing treasury bills and directly raising funds from society by borrowing should be an effective method which enables the government to resolve its own supply-demand disparity by making use of the market mechanism. I can also provide the capital funds market with a low-risk financial instrument. Currently, however, China's fiscal and financial relations have not been perfectly straightened out and technical problems like the issue and transfer of treasury bills, payment of interest on them and repayment of principal, and so on, have not yet been solved. Therefore, the treasury bill market is still divorced from other capital funds markets for the time being. These problems must be satisfactorily solved before treasury bills can become a dynamic element in the system of capital funds market instruments and before the government can enter the capital funds market as an active participant on an equal basis.

Overall, thanks to several years of financial-system reform, China has initially established a capital funds market in which the government, various financial institutions, the enterprises, and the individuals can participate. According to the maturity of capital funds transacted, it can be broken down into an inter-institution market of short-term loans in the financial sector, a commercial bill acceptance and discounting market, a short-term enterprise bonds market and the financial-institution bonds market, and a long-term capital funds

market which comprises the enterprises' stock market, the long-term bonds market, and the treasury bill market. Classified according to the order of financial transactions, it is basically a primary market or an issuance market. Classified according to the scope of activity, it is merely a local or regional capital funds market and not a national one, except in the area of short-term lending and borrowing between financial institutions.

II. Several Current Problems that Must Be Solved in Establishing the Capital Funds Market

Establishing a socialist capital funds market with Chinese characteristics in response to the requirements of our planned commodity economy represents a major reform of the model whereby all credit is centrally handled by the banks and loans and funds are distributed vertically. This is an extremely complicated task.

1. Establishing a capital funds market in a socialist country, developing the horizontal transaction of capital funds, and developing direct capital funds transactions between enterprises or between enterprises and individuals, calls for breaking through traditional theories and ideas formed over the past several decades in China. Over many years in the past we have been accustomed to thinking of bank deposits and loans at the mention of capital funds transactions, deployment and allocation of funds by the government at the mention of deploying funds, and residents' savings at the mention of raising capital. Very often, therefore, we do not understand direct inter-enterprise capital funds transactions, we object to short-term lending and borrowing between financial institutions, and we refuse to develop new instruments of capital funds transactions. If this way of thinking is not changed the opening up of the capital funds market will always encounter man-made obstacles everywhere. We should further strengthen theoretical exposition and extensively launch propaganda to make people realize that although direct capital funds transactions between financial institutions should play the main role, interbank capital funds transactions alone fail to satisfy the very-increasing variety of capital fund raising and investment needs as the planned commodity economy develops and both enterprises' financial resources and people's personal incomes increase. Different categories of surplus-funds holders have different requirements regarding the profitability, mobility, and safety of investments. If different requirements regarding investment are to be fulfilled, there must be a correspondingly greater variety of means of capital funds transactions, like treasury bills, enterprise stocks and bonds, banks' financial-institution bonds, negotiable certificates of large deposits, and so on. If a capital funds market is established we can take advantage of differences in the profitability, risk, and maturity of various categories of financial assets to pool various categories of funds from wide sources, direct the flow of financial investments, and enhance the results of use of funds.

2. The creation of a capital funds market in China is currently restricted by the old financial system. First, the specialized banks, as operators in the area of funds, are not run in the manner of independent enterprises. Their own interests are not related to the enormous economic benefits generated by the horizontal transaction of capital funds, and they have no incentive to participate

in the money market or other capital funds markets. Moreover, our existing capital funds management system is still characterized by segregation between departments and between localities. When banks at the grass-roots level intend to lend or borrow short-term funds by taking advantage of temporal, occupational, or local differences, they are often subject to departmental intervention by banks at higher levels and local intervention by local governments. Furthermore the development of the bill acceptance and discounting market is restricted by the existing loan system. Currently, the availability of circulating funds to enterprises is basically the banks' sole responsibility, and bank loans consist solely of unsecured loans. Both the enterprises and the banks can "eat out of the big pot," enjoying both convenience and freedom from responsibility. Under this loan system it is very difficult for the bill acceptance and discounting market to develop quickly. In view of these problems we should pay attention to synchronizing and coordinating the development of the capital funds market and the reform of the banking system. For one thing, we should set up various categories of financial institutions and bring about the running of specialized banks in the manner of independent enterprises. Multilevel management should be instituted in large financial institutions and institutions at every level should have relatively independent decisionmaking power over operations. Only thus can the horizontal transaction of capital funds and the inter-institution lending and borrowing of short-term funds be developed so that many categories of credit instruments can appear on the market. For another thing, the existing loan system, whereby loans consist mainly of unsecured loans, must be ended. Banks must see that when enterprises sell on credit, they must use commercial bills only, so that bills will form the basis of the majority of capital funds transactions between various financial institutions, between banks and enterprises, and between various enterprises. Thus, the discounting, rediscounting, and mortgaging of bills can gradually become the main form of lending and borrowing.

3. Raising the standard of operation in the capital funds market and enabling participants in this market to learn how to raise capital, invest, and preserve the value of assets by making use of the capital funds market also constitute a pressing problem which must be solved in the course of developing the capital funds market. Judging from current practice we have not yet learned how to use different categories of financial instruments to satisfy different categories of financial demand. Backwardness in the conditions and modes of issuance and uniformity in the terms of maturity and range of interest rates affect investors' confidence and interest in capital funds market instruments. This technical inadequacy not only hinders the normal functioning of the primary market, but also aggravates the difficulty of developing the secondary market in the future.

4. The currently emerging capital funds market in China is basically a spontaneous market. In particular, there is a lack of centralized, effective management of the market in enterprise stocks and bonds. Various indiscriminate practices in raising funds, apportioning expenses, and blindly expanding the scale of capital construction through raising capital constitute a relatively serious problem. Faults in distributing income to share or bond holders to some extent aggravate the growth of social consumption funds. The system of costs of capital funds transactions and raising capital funds is marked by faulty relations dominating the entire capital funds market, and risk management basically has

not appeared. For example, as fund-raisers guaranteeing the highest degree of safety, the government and the banks incur relatively high costs in issuing bonds. Both 5-year treasury bills and 1-year financial-institution bonds carry an annual interest rate of 9 percent. This standardized cost will boost the costs of raising capital funds over the entire capital funds market. If enterprises do not attach bonuses to their bonds, then inevitably they must guarantee a double-digit interest rate, in view of the bonds' risk level, if their bonds are to find any buyers at all. If this situation develops, the enterprises may have to bear a very heavy interest burden, investment costs may consequently rise, and economic results may fall across the entire national economy. Raising funds from society affects many arenas. It is not only a complicated financial matter, but is also closely connected with matters like enterprises' behavior in operation, their repayment of debts on bankruptcy, and so on. The resolving of many relevant questions calls for consideration of the overall national situation. Therefore, we must vigorously grasp the formulation and promulgation of unified national rules and regulations concerning bond and share management and laws concerning the management of bills. As soon as possible we must formulate enterprise laws, enforce bankruptcy laws, and assign to the People's Bank the necessary powers and means for exercising overall management of the capital funds market according to the law. Moreover, the Central Bank should manipulate all interest rate in its grasp, like interest rates on secondary loans, the rediscount rate, interest rates on financial-institution bonds, and so on, to guide interest rate changes on the capital funds market and thus influence the overall level of interest rates on that market. An agency for appraising information regarding financial institutions and enterprises should be set up when appropriate. Then, enterprises can be graded according to their trustworthiness, and their costs in issuing shares and bonds can be correctly graded, so that the rates of return on market instruments can be linked to their risk levels.

5. The several questions discussed above are all related to the question of training qualified capital funds market personnel. We are facing a situation of inexperience and a lack of knowledge in the use, operation, and management of the capital funds market. We are thus required as quickly as possible to train a contingent of cadres well versed in both professional work and policy matters, who can be made to play a crucial role in creating and establishing a socialist capital funds market with Chinese characteristics.

III. Establish and Perfect China's Capital Funds Market Step by Step

Proceeding from China's actual conditions to establish a socialist capital funds market is a very complicated matter. Currently, in developing the commodity economy and the financial sector China attains a relatively low level of development and lacks management experience, under these conditions we should first pay particular attention to establishing and perfecting the short-term funds market gradually. The reasons behind this idea are:

1) Currently in China, the credit system is still poorly developed. Credit instruments lack variety. Credit transactions among the people and inter-enterprise business credit transactions are largely conducted in the primitive forms of verbal agreement and bookkeeping entry, and some enterprises even issue shares or bonds by simply making entries in books or writing something on blank paper. Therefore, starting from this position we should develop many forms and instruments of credit, establish a credit system, improve financial business skills,

enable people to master the use and management of various credit instruments, and thus create favorable conditions for gradually forming a long-term capital funds market.

2) Currently in China, the scale of investment in fixed assets is subject to control. Under this condition it is impossible to use large sums of monetary income for investment in the long-term capital funds market. Under the condition that the quantity of money in society is fixed, raising funds on the capital funds market through various forms of credit facilities actually amounts to a redistribution of social funds between the state, enterprises and individuals, or a reallocation of funds between long-term and short-term uses. In order to control the scale of long-term investment financed by fixed capital funds we must keep the issue of treasury bills within suitable limits and control the extent to which enterprises issue shares and bonds. The issuance and transfer of shares and bonds involve a number of policy issues and legal questions and we should take time to study this.

3. Financial institutions are the principal participants in the short-term capital funds market. In this sector there are many specialists, financial conceptions are relatively fully mastered, and the progress of reform is rather quick. These conditions can help quicken the establishment of the short-term capital funds market. On the other hand, China's economic foundation is weak, and if we want to maintain a high rate of growth the excess demand for circulating capital funds will long remain a prominent problem. In the past, the banks have assumed sole responsibility for supply circulating funds. Facts show that they are incapable of doing so and solving this problem necessitates using the capital funds market for effecting capital funds transactions. Moreover, this market can compel enterprises to assume greater responsibility and achieve greater efficiency in the use of funds. Thus, it can be seen that the development of China's short-term capital funds market.

Therefore, establishing the capital funds market in China can be achieved only through gradual exploration and experimentation. We must proceed from the short-term capital funds market to the long-term capital funds market, from cities selected for experimentation to other large and medium-sized cities, from coastal cities to inland ones, and from the developed eastern regions to the relatively underdeveloped western regions. We must follow the appropriate order and open and perfect markets step by step. Put specifically: first, we should establish and perfect an inter-institution market in short-term loans in the financial sector geared to the current need for developing horizontal links. At the present stage, the form of any loan and also its interest rate and term of maturity should be allowed to be relatively freely determined through negotiation by the two parties concerned. In the future, management methods should be prescribed when a certain stage of development is reached. Second, we should establish and perfect a commercial bill acceptance and discounting market, replace the current inter-enterprise debt claims in the form of bookkeeping entries by dates contractual bills, make bills the standard form of commercial credit, and develop the acceptance and discounting of bills and their rediscounting by the Central Bank. This can promote the horizontal flow of funds and make bills gradually become the basis of bank loans so that management can be strengthened. The Central Bank will also be able to control and regulate

the money supply through the window of rediscounting. Third, many categories of short-term bonds should be issued and a secondary-transaction market gradually established. Short-term bonds should be bought and sold through financial institutions. Moreover, increasing the variety of capital funds market instruments, like negotiable certificates representing large fixed-term deposits in banks, can also be considered. These measures will not only help some enterprises solve liquidity problems, but will also gradually guide credit transactions among the people onto the track of managed market.

The long-term capital funds market should be developed through gradual exploration and progress. First, the issue of financial-institution bonds should continue and the classes of maturity of these bonds should be appropriately increased. Aside from specialized banks, various financial institutions dealing with long-term investment and loans, like trust and investment companies, should be allowed to obtain some of the funds they need by issuing long-term financial institution bonds within the limits prescribed by the Central Bank. Second, enterprises should be permitted to issue their own bonds for undertaking budgetary investments. Collective enterprises and laterally-integrated enterprises should be permitted to issue shares on a trial basis. An enterprise's shares in the latter category should be bought by its constituent enterprises. The issuance of bonds and shares by enterprises should be approved by relevant organs of the People's Bank of China. An issuance made to the public should be entrusted to a relevant financial institution serving as its agent, and bonds and shares should be standardized. Last, we must study and improve the work of issuing treasury bills and end the current backward situation marked by uniform terms of maturity, simple modes of issuance, and immobility. In this way treasury bills will become a dynamic part of the capital funds market.

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FINANCE, BANKING

HEBEI GOVERNOR'S SPEECH ON FINANCIAL WORK

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[Speech by Xie Feng, governor of Hebei Province, at the 8 March provincial experience--exchange meeting on structural reform and building a spiritual civilization in the financial and trade departments: "Financial and Trade Work Should Be Advanced in the Course of Reform"]

[Text] At today's provincial experience exchange meeting on structural reform and building a spiritual civilization of financial and trade enterprises, Governor Xie Feng gave a summing-up speech. Vice Governor Hong Yi presided over the meeting. The meeting will end tomorrow after arranging work for various prefectures and cities.

Comrade Xie Feng touched on the following six issues:

1. Fully understand the current new situation and the importance of financial and trade work.

At present, our province's situation is very good. We have scored new achievements in economic construction. Last year the province's total industrial and agricultural output value increased 8 percent over the previous year, and the national income increased 5.7 percent over the previous year. We still reaped a bumper grain harvest despite a year of serious drought. The total output value of township enterprises rose by 22.5 percent over the previous year. The total retail sales of the province's social commodities increased 12.8 percent over the previous year and financial revenues increased 4.5 percent, thus realizing a balance between local financial revenues and expenditures.

As for this year's economic work, party committees and governments at all levels have grasped it early, formulated plans in a timely manner, and made specific arrangements for upholding the four cardinal principles and launching the struggle on opposing bourgeois liberalism. This has created favorable conditions for making this year's economic work successful. We have already witnessed an upward trend in January, February and March. Industrial production has increased 12.7 percent over the same period last year. In agricultural production, we have realistically prepared for farming.

There are two obvious features in our current situation. First, we have unceasingly deepened economic structural reform. In the circulation sphere, we

have broken with the closed-type old distribution system and developed lateral cooperation. Some new forms of commercial activities have emerged. We have made new strides in reforming the financial and banking structure, increased the channels for collecting funds, and adopted more flexible supply methods. Second, we have greatly developed the socialist commodity economy. Governments at all levels have become more aware of commodity production and have become braver in carrying out this work. The rural areas have begun to stop the situation of a natural and seminatural economy, and have initially created a situation in which thousands upon thousands of households are engaged in commodity production. Township enterprises in particular have developed very rapidly and the production set-up of the rural areas has become rational.

The deepening of reform and the development of the commodity economy have set forth new demands on financial and trade work. At present, industrial and agricultural production and mass consumption rely more on the market than at any time in the past. They depend on market expansion and smooth circulation channels. The market has become a barometer for reflecting good or bad political and economic situations and social habits. Under such circumstances, we must encourage the pricing, taxation, and banking departments to better display their roles as a lever, effectively control and regulate the macroeconomy, and enable the whole economy to be developed along a sound path. Financial and trade departments at all levels should fully understand their own important positions and role. Under the new situation, they should further foster a viewpoint of the whole situation and bear production and the masses in mind. They should also broaden the sources of income and reduce expenditures, circulate funds, invigorate the circulation channels, make good arrangements for markets, and better serve industrial and agricultural production as well as the people's livelihood.

2. Financial and trade work should proceed along with reform.

The financial and trade structural reform is an important component part of the economic structural reform as a whole, and success or failure in the reform of financial and trade departments greatly affects the reforms of other departments and the entire economic development. At present the problems in the financial and trade work are: Restrictions on this work have not been fully lifted; barriers in circulation channels have not been removed; and management of funds is too rigid. To counter this, we must carry out reform in a penetrating manner. In carrying out reform, we should pay attention to the following items of work:

1. We should firmly grasp the orientation of serving production and the masses. In assessing the success or failure of the reform of financial and trade departments, our judgment should be based on service work. We should further strengthen the service functions, perfect service systems, and give priority to promoting the development of commodity production and serving the people's livelihood. Financial and trade departments should provide producers and consumers with whatever they demand, and should enthusiastically solve problems and effectively handle affairs for the masses.

2. We should break with egalitarianism and the practice of "eating from the big common pot" in order to fully mobilize the initiative of managers. To

invigorate enterprises, we should depend on the initiative of both managers and workers. But the priority should be given to mobilizing the initiative of managers by introducing various forms of management responsibility system in line with the principle of separating management power from ownership so that we can truly delegate powers, duties, and interests to the managers, workers and staff members. This is the key to invigorating enterprises. Large and medium-sized enterprises should attach importance to perfecting their internal contracted responsibility system, to making smaller units on the basis of cost accounting, to implementing the system of different levels holding different responsibilities, and to assigning responsibilities to various teams and groups and to individuals. Small enterprises should focus their efforts on instituting various forms of leasing and contract systems. Those small enterprises which have not yet introduced these systems should introduce them vigorously.

3. We should raise management and operation expertise. The management expertise of some commercial enterprises is bad, and therefore their enterprise management must be strengthened. We should mobilize the masses to offer suggestions and advice with an aim to eliminate loopholes in financial work and to increase income and cut expenditures. We should strengthen the management of floating funds, raise the utilization rate of funds, strictly control expenses, make careful calculations and strict budgeting, and oppose extravagance and waste. As for the enterprises which suffer losses due to poor management, their reasons for losses should be investigated, and a deadline should be given them to reverse the deficits.

4. We should increase the number of commercial centers and undertake rational distribution. Our current problems are the lack of commercial centers, irrational distribution, and an unreasonable structure. Therefore, we should strive to build more commercial shops in order to provide conveniences for the people. In building commercial shops, we should pay attention to building large, medium-sized and small shops, and, in particular, to building more catering, repairing, service, grocery, and waste-recovery shops. The structure of various trades should be readjusted according to the demands of the masses. Small commercial shops should be mainly run by collectives and individuals. We should also develop purchasing and marketing agency business in order to meet the people's needs in various fields.

3. We should give play to the predominant role of state-run commerce and supply and marketing cooperatives.

Historical experiences prove that it will not do to implement the single-channel circulation system, and this system will lead to depression of the markets. The current situation also proves that it will also not do to open many circulation channels to the neglect of dominant channels. There are predominant and subsidiary circulation channels and they should be developed in a coordinated manner. This is a demand of objective law of the socialist commodity economy. If we neglect this law, both the urban and rural markets will meet with disorder. The state-owned commercial enterprises and supply and marketing cooperatives should of course become the predominant channel of commodity circulation, because they have abundant funds, better management equipment, more management centers spread all over the urban and rural areas, and a contingent of

cadres and workers who have undergone the party's training and education, have political integrity and professional skills, and shoulder the state-assigned task of purchasing and marketing the major industrial and agricultural products. The major channel is a major force controlling the market situation, whose operation decides on the fundamental interests of the state and the people, on the nature of socialist commerce, and on the stability of commodity prices on all the urban and rural markets. Due to numerous reasons over the past few years, however, state and cooperative commercial units have failed to fully play their role as a major channel, and some have become weak in market competition. Hence is a situation in which people rush to purchase the commodities in short supply, which results in huge price hikes and dissatisfaction of consumers, and a situation in which nobody cares to ask about commodities in ample supply, which results in price reductions and dissatisfaction by producers. This affects the development of production and the stability of society to a certain extent. This also proves that whether or not state commercial units can play their role as the major channel is not only an economic issue but also a political issue, and an issue concerning orientation.

Judged from the present situation, in order to give full play to the role of state commercial units and cooperatives as the major channel, we should start from improving their external and internal conditions. In terms of external conditions, governments at all levels should render necessary support and assistance to state commercial units and cooperatives in the areas of policies and work and provide a comparatively relaxed environment for their development. At present, there are still some localities which arbitrarily collect funds from state commercial units and cooperatives, thus increasing their burden. It is hoped that all localities should pay great attention to this situation, prohibit anyone from collecting funds arbitrarily from enterprises on any pretext, and take stock of the exacted or misused funds and return them to enterprises as soon as possible. In terms of internal conditions, state commercial units and cooperatives should further change their ideas and workstyles concerning management, increase their vitality, and develop their advantages. The position as the major channel cannot be decided by leading organs, but should manifest itself in active competition and management. Attention should first be paid to the wholesale link. Once the wholesale link is grasped, we will have gained the initiative in controlling markets. Based on the demands of peasants and the characteristics of various kinds of farm and sideline products, and actively popularize the contract system, business on commission, the joint operation system, and the system of joint marketing of the goods from different sources at various levels, and marketing of goods in remote areas. Supply and marketing cooperatives should establish offices in cities so as to provide favorable conditions for farm produce to enter the urban areas. With regard to retail sales, state commercial units and supply and marketing cooperatives should strive to increase the variety of their commodities, improve their supply methods, bring more conveniences to the masses, resolutely correct their workstyles as "official merchants," and satisfy the people's needs in production and lives.

4. We should maintain basic stability in market prices.

Basic stability in market prices is an important prerequisite to ensure the smooth progress of the economic structural reform, a major issue concerning

stability and unity, and a policy we should adhere to on a long-term basis. The general requirement for this year's commodity price work is to carry out reform persistently and make progress steadily. On the premise of maintaining basic stability in commodity prices, we should appropriately readjust the prices of the industrial and agricultural products which are so unreasonable that production is seriously affected in a planned and step-by-step manner with a method which combines relaxed control and readjustment. This year the prices of vegetables, meat, eggs, and other major nonstaple foods, manufactured goods for daily use in urban areas, the prices of negotiably priced grain and oil, and the means of agricultural productions in the rural areas are the key areas to be stabilized.

5. Enhance the drive to build the spiritual civilization on the financial and trade front.

1. Efforts should be made to uphold the socialist orientation. Our transformation drive is to conduct reforms in the economic systems and represents the self-improvement and development of the socialist system. Our campaign on spiritual civilization construction is to build a socialist spiritual civilization, and our economic construction is to build the socialist economy. All programs in which we have engaged are to build socialism and not capitalism. All of this represents an issue concerning political orientation and a core issue concerning the enhancement of building the spiritual civilization, which each comrade should soberly understand. Financial and trade work deals with a large number of people and all activities in it must be favorable to improving the socialist system and developing the social productive forces. By no means should these activities weaken the guiding role of state-owned enterprises. It is necessary for the financial and trade departments to consistently maintain a correct political orientation.

2. Efforts should be made to enhance the concept of serving the people. Serving the people wholeheartedly should be regarded as a fundamental purpose followed by the financial and trade departments. At present, particular stress should be placed on conducting education on professional ethics on the financial and trade front and on correcting the malpractices cropping up in various industries and trades. By bearing in mind the ideological reality of the staff members and workers, we should adopt various ways and means to deeply and protractedly conduct education among them on the principle of having lofty ideals and moral integrity, being well educated and self-disciplined, and of serving the people wholeheartedly. We should also carry out the activities of learning from Lei Feng and have the guideline of serving the people wholeheartedly serve as the guiding principle followed by the broad masses of staff members and workers.

3. Efforts should be made to establish or improve necessary regulations and rules as well as disciplines on work management. The drive to build the spiritual civilization not only depends on powerful ideological and political work, but also on the strict restriction of discipline and systems. In particular, we should formulate standards, criteria, and discipline on work management. As well as strict measures for awards and punishment. Those who have observed discipline should be dealt with strictly.

4. Efforts should be made to enhance the training work in order to upgrade the professional quality of staff members and workers. Our province has more than 860,000 personnel on the large financial and trade front. However, the quality of professions, technology, and culture among cadres and workers is not high and cannot meet the need of the new situation. Therefore, it is imperative to enhance training work among them. A good job should be done in emphatically grasping the on-job training of professional work among leading cadres at all levels and in encouraging them to study economic theory and managerial knowledge in order to heighten their capabilities in conducting business and management and making policy decisions. Training emphasis should be also placed on helping the broad masses of staff members and workers upgrade their capabilities in implementing the policies, operating business, and rendering services. Meanwhile, efforts should be made to encourage young staff members and workers to join spare-time classes of cultural knowledge and to popularize cultural knowledge at the secondary education level in order to raise their capabilities of serving the people.

5. Attention should be paid to the weal and woe of staff members and workers and to dealing with difficulties and problems concerning their livelihood. We should devote in the few years ahead to gradually achieve a basic settlement in the problems of dormitories and nurseries for staff members and workers.

6. Strengthen leadership over financial and trade work.

1. Persist in the principle of separating government functions from business management. At present enterprises in some localities still fail to bring their true functions into play due to the fact that commercial and administrative departments exert excessive and rigid control over enterprises. Thus, governments at all levels should resolutely delegate to the enterprises the power that should be delegated to them according to the requirements of streamlining administrative procedures and delegating power to the lower levels and should reduce unnecessary administrative interference. Through strengthening macroeconomic management, giving policy guidance, conducting coordination and service, and perfecting means for indirect control, the governments should ensure that enterprises will truly become independent commodity producers and distributors that conduct self-management and assume sole responsibility for their profits and losses.

2. Pay equal attention to circulation and production. Owing to their failure to handle the relations between production and circulation, some localities often develop production according to the requirements of production to the neglect of the role of circulation departments in promoting and guiding production. Under the circumstances that the commodity economy has developed rapidly, we should pay great attention to circulations' reaction on production and should concentrate our greatest efforts on studying organizing, and developing circulation. Governments should place financial and trade work on their daily work agendas and timely study and solve the problems concerning circulation. The contradictions between financial and trade departments and other departments should timely be coordinated and conscientiously be eliminated according to the principle of being advantageous to production and bringing convenience to the masses.

3. Grasp the building of leading bodies of the financial and trade departments. On the basis of democratic appraisals and evaluation, all localities should firmly grasp and strengthen the readjustment of the leading bodies that should be readjusted. Those who actually are incompetent in their current jobs should be resolutely transferred to other posts. Young and middle-aged comrades with a spirit of doing pioneering work and possessing practical experience, specialized knowledge, and organizational ability should be promoted to leading posts. The system of cadres being responsible for fulfilling the fixed targets during their terms of office, a regular evaluation system, and the system of strictly distinguishing awards from punishments should conscientiously be carried out in order to enable the leading bodies to always maintain vitality.

4. Overall financial and trade coordination organizations attached to governments at all levels should be established. On the premise of not increasing staff, such organizations must be established in order to help leading comrades of the governments timely grasp the situation and to coordinate the relations between various financial and trade departments and between financial and trade departments and other departments.

5. Improve the workstyle of the leadership. We should advocate such workstyles as seeking reality, doing solid work, and firmly grasping fulfillment. All principles, policies, and the instructions of the higher levels must repeatedly be grasped, be carried out through to the end, and successfully be implemented instead of only relaying them to the lower levels.

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HEILONGJIANG PRICING WORK CONFERENCE ENDS

SK300611 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 27 Mar 87

[Text] This year the province's work principle and general demands are to persist in reform, to advance steadily, and to basically stabilize market commodity prices. Our reporter realized this from the provincial pricing work conference which ended today.

On the premise of striving to basically stabilize this year's market commodity prices, our provincial pricing departments will appropriately readjust the prices of some agricultural products with a focus on stabilizing and developing grain production, widen the difference between the prices of some manufactured goods based on their quality, and basically stabilize the prices of all products except for a few products whose prices have already seriously affected production. The prices of these products should be readjusted. The provincial pricing departments should strictly control price changes in the retail sales of some products under state management.

This year our province has adopted a series of important policies such as compressing the overheated atmosphere and controlling the scope of investment in capital construction, thus creating favorable conditions for stabilizing market commodity prices. However, there are still some uncontrollable in the market commodity prices.

The conference called on the pricing departments at all localities not to lower their guards. Instead, they should adopt effective and flexible policies to strictly control the commodity price level of retail sales, stabilize the prices of grain and nonstaple food, strengthen management over the prices of the means of production, control the prices of several kinds of chemical fertilizers whose prices have fluctuated, and strengthen supervision and inspection over commodity prices.

The conference also called on all localities to conscientiously implement the guidelines of the State Council circular, and strictly forbid arbitrary collection of addition fees and subcharges.

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FINANCE, BANKING

CHEN MUHUA MEETS WITH HONG KONG, MACAO DEPUTIES

OWO51045 Beijing XINHUA Domestic Service in Chinese 1624 GMT 1 Apr 87

[By reporter Guo Lingchun]

[Text] Beijing, 1 April (XINHUA)—Chen Muhua met with a number of personalities from banking circles in Hong Kong and Macao today at the Ziguang Pavilion in Zhongnanhai. She talked with them on the current situation and on prospects of China's banking reform, a matter of common concern.

The six Hong Kong and Macao personalities present at the meeting were either NPC deputies or CPPCC National Committee members attending the fifth session of the sixth CPPCC National Committee in Beijing. State Councillor and People's Bank of China Chen Muhua called them "experienced banking experts." She briefed them on the achievements made by the People's Bank of China in promoting its work, invigorating the management of funds, reforming banking facilities, and opening a money market in the past year. She also touched on the arduous tasks and difficulties in eliminating contradictions between total social demand and supply. She said: "Of course, these are difficulties in the course of progress." Chen Muhua held that these difficulties are surmountable as long as our thinking is unified.

The Hong Kong and Macao bankers were excited by the fact that Premier Zhao Ziyang in his government work report emphatically expounded on economic questions and attached importance to banking work. They carefully studied some of the advantages and disadvantages in the course of banking reform, and put forward opinions and suggestions on using foreign capital, making capital investment, pooling idle funds, and strengthening supervision over the various banking facilities.

The conversation lasted 1 hour and 15 minutes.

The NPC deputies and CPPCC National Committee members from Hong Kong and Macao present at the meeting were Zhuang Shiping, Ke Ping, Chen Hong, Fang Shangui, Liang Yan, and Jiang Wengui.

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EVERBRIGHT GROUP FORMS FINANCIAL BUSINESS

HK050656 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 30 Mar 87 p 3

[Dispatch by reporters Zhang Pingli (1728 1627 0500) and Wang Jin (3769 6210):
"Everbright Holding Company Sets Up Financial Unit"]

[Text] Everbright Financial Company, a state-run national financial enterprise dealing in deposit and loan services in renminbi and foreign currencies, investments, secured financing, securities distribution, and leasing business, was founded on 28 March.

Everbright Financial Company is a member of the Beijing Everbright Industrial Corporation, which is well known for its stress on actual effects and industries. The company's board of directors chairman is Wang Guangying and its general manager is Liu Shusen. The Beijing Everbright Industrial Corporation has accomplished over \$500 million in transactions since its founding more than 3 years ago. The inauguration of Everbright Financial Company marks a new development of the business of the group.

Vice Premier of the State Council Yao Yilin and State Councillor Chen Muhua were present at the inaugural ceremony to extend their congratulations. Chen Muhua addressed the ceremony on behalf of the State Council and People's Bank of China. She said: The founding of Everbright Financial Company means the joining of a new member in the Chinese financial circles. From now on, we have one more socialist financial enterprise dealing in renminbi and foreign currency business. One of the major tasks for the in-depth development of economic structural reform in China this year is to further reform the financial structure, enliven the financial market, and accelerate circulation of funds.

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FINANCE, BANKING

INDUSTRIAL SECTORS' TAX CONTRIBUTION IN 1986

Beijing JINGJI RIBAO in Chinese 21 Feb 87 p 1

[Article by Feng Baodong [7458 1405 2639]: "Last Year Petrochemicals, Power, Metallurgy, Tobacco, and Nonferrous Metals Had Outstanding Economic Results, Account for Three-Fifths of Taxes and Profits Turned Over to State by All Industrial Sectors; Important Contribution to Stabilizing State's Financial Income"]

[Text] This reporter has learned from the State Statistical Bureau that five sectors--petroleum and petrochemicals, power, metallurgy, nonferrous metals, and tobacco--had outstanding economic results in 1986. The profits and taxes paid in by these five sectors last year accounted for 64 percent of the entire industrial sector's profits and taxes and made an important contribution to stabilizing the state's financial income.

In 1986 the China National Petro-Chemical Corporation achieved a GVIO of 32.6 billion yuan, an 8.7-percent increase over the previous year; it realized profits of 13.8 billion yuan, a 5.5-percent increase; and it turned over 10.9 billion yuan in profits and taxes to the state, a 10.2-percent increase. Annual profits and taxes of the Yanshan Petrochemicals Corp, the Fushun Petrochemicals Corp, and the Shanghai General Petrochemicals Plant were all over 1 billion yuan. The General Petrochemical Corp's product quality improved, consumption of materials declined, and the ex-works qualification rate for petrochemical products was still maintained at 100 percent.

In 1986, the gross output value of the power industry was 25.1 billion yuan, an 8.9-percent increase over the previous year; electricity generation was 445.5 billion kWh, a rate of increase seldom seen in recent years. Enterprises under the Ministry of Water Resources and Electric Power realized profits of 9.1 billion yuan, a 5-percent increase over the previous year, and turned over 7.8 billion yuan in profits and taxes to the state, a 10-percent increase.

In 1986, key iron and steel enterprises had a GVIO of 31.8 billion yuan, a 10.1-percent increase over the previous year; they realized 10.9 billion yuan in profits for the year, an 11.1-percent increase, and turned over 7.6 billion yuan in profits and taxes to the state, a 12.8-percent increase. The Anshan, Capital, and Wuhan Iron and Steel corporations had annual profits and taxes in excess of 1 billion yuan each.

In 1986, the General Nonferrous Metals Industrial Corp achieved a GVIO of 19.4 billion yuan, a 7.8-percent increase over the previous year; it realized 3.4 billion yuan in profits for the year, a 15.7-percent increase. It conserved 500,000 tons of standard coal for the year.

The General Tobacco Industrial Corp had an industrial output value in cigarettes of 16.6 billion yuan, a 16.2-percent increase over the previous year; the industry realized 13.2 billion yuan in profits, a 20.3-percent increase. The quality of cigarette products was better than last year, both in external appearance and internal quality. Consumption of leaf tobacco declined somewhat.

The concerned departments under the State Council point out that although these five sectors achieved quite good results in production and benefits last year, there persist to varying degrees such problems as excessive costs and increasing funds occupancy. The varieties of certain rolled steel products and nonferrous metal products are unable to satisfy the demands of production, and there is an acute disparity between power supply and demand.

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FINANCE, BANKING

JILIN GOVERNOR ADDRESSES PEOPLE'S BANK MEETING

SK260730 Changchun Jilin Provincial Service in Mandarin 1030 GMT 24 Mar 87

[Text] The meeting of presidents from branch offices under the Jilin Provincial People's Bank concluded on 24 March. During the meeting Governor Gao Dezhan delivered a speech in which he pointed out that generally speaking, the province's central difficulty in 1987 is the strained situation of funds. The solution in dealing with the difficulty lies in doing a good job in launching the movement of increasing production and practicing economy as well as of increasing incomes and curtailing spending. The people's bank is the collective department of the financial circles and should play its role in readjusting financial affairs and conducting guidance and management over them. It should vigorously organize deposits, adopt various means to raise funds, and to vigorously tap its potentials to enliven the funds and to reduce holding funds as much as possible. A good job should be done in allocating funds and in fund circulation. Funds raised by local branches should be used for key projects in technical renovation and the projects of technical imports.

In his speech Governor Gao Dezhen stated: Funds should be used in a reasonable way. In issuing loans, the bank should adopt various ways and means to proceed from the needs of production, commodity circulation, and construction, and should actively satisfy the needs. In the course of satisfying these needs, the bank should enhance macroeconomic management and guidance in line with the guidelines, policies and credit principles set forth by the state. It may take into consideration the reduction of interest rates in line with the limitation set by the state or give preferential treatment in loans released to enterprises that turn out fine-quality products and products earning foreign exchange. The bank should vigorously encourage them to develop production. Efforts should be made to deal with overstocking in enterprises to enliven funds.

In concluding his speech, Governor Gao Dezhan stressed: the People's Bank should be a good advisor to governments at all levels, which should hear more opinions raised by the bank in dealing with their economic problems, and bring the bank's role into better play.

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CSO: 4006/528

HENAN LEADER URGES BANKING SUPPORT FOR KEY TRADES

HK241330 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 23 Mar 87

[Text] During his speech delivered yesterday [23 March] at a provincial meeting of heads of industrial and commercial banks, Zhang Zhigang, Standing Committee member of the provincial Party Committee and permanent vice governor of the provincial government, said: In the promotion of the drive to increase production and practice economy and increase revenue and reduce expenditure, our banking institutions must shift the focus of their work to enterprises, try in every possible way to reinvigorate funds, effectively and rationally use funds, and conscientiously assist enterprises in the promotion of technological transformation and tapping potentials.

Comrade Zhang Zhigang said that appropriate funds are required to ensure that this year's industrial and agricultural production in Henan will achieve steady development, and proper speed and beneficial results. Industrial and commercial banks must give full play to their strong points such as large numbers of personnel and networks, high prestige, abundant funds, and relatively good quality of personnel. They must conduct reform to strengthen their vitality and competitive power, and make new contributions to Henan's economic development through the absorption of deposits and the rational allocation and use of funds.

Comrade Zhang Zhigang stressed: The central authorities have called compressing the inflated atmosphere. This compression of inflated atmosphere means checking the practice of disregarding the ability to take economic burdens, losing contact with reality, and starting projects arbitrarily and blindly, and the practice of disregarding production conditions and outdoing others in consumption. In concrete terms, this means compressing nonessential, unscheduled, and non-productive projects. However, we must ensure fulfillment of key, scheduled, and productive projects. Therefore, industrial and commercial banks must uphold this guiding ideology, support on a selective basis those existing industrial and commercial enterprises and those industrial and commercial enterprises under construction, and deal with different enterprises in different ways. The banks must energetically support construction work and technological transformation for key trades and enterprises, and support the output and sales of quality and marketable products. Regarding ordinary enterprises, the banks can offer financial support to them on condition that the banks have surplus funds, and should put the stress on making suggestions and finding ways for ordinary enterprises to tap their internal potentials.

Finally, Comrade Zhang Zhigang noted: The banks must pay special attention to the promotion of the building of spiritual civilization, always bear in mind the necessity of upholding the four cardinal principles and taking a clear-cut stand on opposing bourgeois liberalization, energetically conduct education in ideals, the legal system, discipline, and ethics to establish faith in communism, and cultivate a good sense of observing discipline and the law. In addition, between banks and among banks and party and government departments at all levels, there must be mutual support and close coordination for the purpose of jointly promoting all tasks for this year.

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FINANCE, BANKING

SICHUAN'S BANKS PLAN TO TAP CAPITAL POTENTIALS

HK311142 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 30 Mar 87

[Text] According to SICHUAN RIBAO, the banking system of our province has acted in accordance with the requirements for increasing production and practicing economy and increasing revenue and reducing expenditures, conscientiously implemented the guiding principle of seeking reinvigoration while implementing retrenchment measures, promoted coordination between banks, and planned to tap the potentials of funds, totaling 2 billion yuan this year.

Since this year, several banks in our province worked in coordination and adopted the following major measures for tapping the potentials of funds:

First, to tap the potentials of funds through supporting the acceleration of the turnover rate of funds among enterprises, and to increase the planned turnover rate of funds by 5 percent;

Second, to tap the potentials of funds through recalling prospective loans [shou hui yu qi dai kuan];

Third, to tap the potentials of funds through assisting state-run and cooperative units in the handling of their problem [you wen ti] commodities;

Fourth, to tap the potentials of funds through assisting foreign trade enterprises in the handling of their dead stocks and overstocking of commodities.

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FINANCE, BANKING

HENAN ACCOUNTANTS PERSECUTED FOR REVEALING FRAUD

HK261112 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 25 Mar 87

[Excerpts] On 9 March, JINGJI RIBAO carried a report entitled "The Hope Has Not Vanished," disclosing a case lasting 3 years in which (Li Shuchun), (Guo Guoqing), and other comrades of the province's (Fugou) scientific instrument and meters plant were transferred to other jobs, ceased receiving salary payments, or were even dismissed for reporting to the higher authorities how some leaders of this plant had practiced fraud and violated financial discipline. This report has evoked strong reaction from the departments concerned.

In a recent interview with a JINGJI RIBAO reporter, Provincial Vice Governor Zhang Zhigang said: Some accountants of the (Fugou) scientific instruments and meters plant were retaliated against and persecuted by others for 3 years for reporting facts to the higher authorities, and they have not yet been rehabilitated. This case indicates that some of our leading departments have failed to pay serious attention to protecting financial and accounting personnel in exercising their power according to law and to take effective measures in this respect.

Zhang Zhigang said: When financial and accounting personnel obstruct and resist acts in violation of the state's financial and accounting system and of financial and economic discipline or report facts to the higher authorities, they are performing a duty bestowed by the state and are also helping the leading comrades concerned not to make mistakes or to make fewer mistakes. Leading departments at all levels must vigorously support and protect the just action of financial and accounting personnel who uphold principle and take the overall situation into consideration. Particularly when financial and accounting personnel are retaliated against and persecuted by others for reporting facts to the higher authorities, leaders must have the courage to back them in upholding justice.

Zhang Zhigang hoped that the 140,000 financial and accounting personnel in the province would, like (Li Shuchun) and others, abide by law, honestly perform their duty, uphold principle, amke checks, plug holes, and truly fulfill the responsibility entrusted by the state.

He said: all localities in the province must swiftly investigate cases of retaliating against persecuting financial and accounting personnel as in the

(Fugou) scientific instruments and meters plant, severely punish those concerned, and properly carry out the work of increasing income and cutting expenditure.

In an interview with a JINGJI RIBAO reporter, (Hu Shuli), deputy director of the provincial Finance Department, seriously pointed out: The victims including (Li Shuchun) must be thoroughly rehabilitated and it is necessary to affix according to law the responsibility to those directly involved in the case. They should not be tolerated. (Hu Shuli) put forth five suggestions on handling the case:

1. In principle, the jobs and posts of (Li Shuchun) and other comrades should be restored.
2. All their withheld salary and welfare money should be paid retroactively.
3. Compensation money should be given to them for their costs in appealing to the higher authorities for help.
6. In accordance with the relevant policies of stipulations and with the approval of the labor and departments, their wages should be readjusted and they should become regular employees after their probationary period. 5. Those directly responsible for the case must be severely punished according to the seriousness of their responsibility. [paragraph and numbers as received]

While carrying the above two reports on 23 March, JINGJI RIBAO also published a commentator's article entitled "strengthen Supervision Over Accounting Work, Promote the Drive to Increase Production and Practice Economy and To Increase Income and Reduce Expenditure."

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FINANCE, BANKING

BRIEFS

XINJIANG SETS FINANCIAL TASKS--The autonomous regional conference on financial affairs and taxation, which concluded on 23 March, noted the following focal points of our region's financial work for this year: To energetically compress inflated atmosphere; to vigorously promote the work of increasing production and practicing economy and increasing revenue and reducing expenditure; to ensure that financial revenue and expenditure will be balanced; and to promote sustained, steady, and sound development of our autonomous region's economy. The conference stressed: All areas and departments must take the interests of the whole situation into account, uphold the guiding principle of conducting unified planning with due consideration for all concerned, of acting according to one's capability, and of keeping expenditures within the limits of income, and strictly control and retrench financial expenditures. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 25 Mar 87 HK] /12232

CSO: 4006/528

INDUSTRY

AERONAUTICS MINISTRY PREDICTS SURPLUS BY YEAR'S END

Beijing JINGJI RIBAO in Chinese 23 Feb 87 p 3

[Article by Li Yinsheng [2621 6892 3932]: "Losses Forecast at Start of Year; at Year's End Revenue Cancels Out Expenditure, Leaving Profit; Aeronautics Ministry Successful Last Year in Increasing Revenue, Practicing Thrift, and Turning Losses Into Profits"]

[Text] Enterprises under the Ministry of Aeronautics have been running into economic difficulties because military orders have dropped off, while civilian orders are just starting to come in; at the start of last year it was forecast that these enterprises would suffer losses of nearly 100 million yuan. Their enthusiastic activities aimed at increasing revenue, cutting back on expenditure, and turning losses into profits had by year's end achieved a balance in revenue and expenditure, with a slight surplus.

At the start of 1986, many enterprises reported losses, especially those that originally had a heavier share of military orders. By May, the number of enterprises experiencing losses reached 20, including 9 directly under the ministry, and most enterprises were on the verge of deficits. In order to check the spread of losing enterprises and promote turning around losses and increasing profits, the ministry convened a report-back meeting on this subject in July at the Shenyang Aircraft Manufacturing Co. The frank discussions and exchanges of experience destroyed the illusions of enterprises that had thought they could rely on subsidies from the state. They resolved to rouse their enthusiasm, mobilize the masses, increase revenue and cut back on expenditure, and save themselves. They decided on the following approaches:

--Focus on Reform, Sign Contracts, Require Results From Management: For example, the Shenyang Aircraft Manufacturing Co began by reorganizing the enterprise and promoting an economic responsibility system and further developing use of economic contracts, integrating this with a system of target responsibility based on cadre tenure. The firm's 73 shops servicing electrical equipment have only 170 workers, and they have no high-grade equipment or production methods. Once they started signing contracts, however, they developed a 10,000-ton automatic, high-powered beer saccharification equipment; last year they made profits of 10,000 yuan per capita. The Life Services Co originally relied primarily on allocations from the company; after adopting subsidy quotas, and methods to keep track of their own profits

and losses and reduce drafts; they started taking on contracts, finding their own sales outlets, and getting everyone to think up ways to increase income and cut back on expenditures. At year's end this resulted in a surplus of 350,000 yuan. This company has also resolutely focused on key civilian goods with a promising future, and on products involving low investment, technology at a level appropriate to the company's capabilities, and fast results. Last year this company had sales of nearly 90 million yuan in civilian goods.

--Exploit Technical Advantages, Produce Salable Goods: In developing civilian goods, the Nanchang Aviation Manufacturing Corp fully exploited its own technical advantages; adhering to the principle of determining production level by sales, in keeping with client demand, and on the foundation of the Changjiang 750 three-wheeled motorcycle, they developed a motorcycle for law enforcement use and another for use by tax collection departments. They sought by every means to raise product quality and got the once slow-selling three-wheeled motorcycle to sell well. Last year they produced more than 17,000 cycles and still could not keep up with demand. At year's end, income from sales of civilian goods had increased by more than 50 million yuan over the previous year; they realized profits of more than 25 million yuan, putting them first in the industry.

--Repair old equipment and put waste materials to use, cut back on expenditure, and increase income. Last year the Xi'an Aviation Engine Co enthusiastically mobilized the masses, saving nearly 400,000 yuan by repairing old equipment and putting waste materials to use; turning discarded materials into useful materials took care of 1.3 million yuan in overstocked goods; putting materials to different uses saved 1.25 million yuan; and, in the latter half of the year, cutting back on expenses of all types saved 1 million yuan. At the start of this year, the forecast was for this company to lose 15 million yuan; by year's end, losses had been turned into 190,000 yuan in profit. At the start of the year the Chengdu Motor Co was planning for losses of more than 10 million yuan; by repairing old equipment, making comprehensive use of waste materials, and lowering consumption, they saved more than 3.4 million in expenditures. They conducted a value engineering analysis of their main product, the refrigerator, and lowered its costs by 1.3 million yuan. Economic contracts were carried out with all its branch plants, shops, and units capable of generating income, and by year's end they had realized profits of 400,000 yuan. The Nanfang Power Machinery Co uses 6 million tons of water annually; last year they launched technological innovations, going from second-grade pressurization to first, and saving 1.68 million yuan in electricity.

While working to achieve increased income and reduced expenditure, the ministry is also paying attention to educating all cadres and staff and workers, to keep them from behaving as if these difficult times were easy. The ministry is requiring that, except for wages, welfare, union costs, depreciation, and repair costs, which may be listed as expenditures according to the relevant state provisions, all enterprise shop costs and management costs be reduced by 10 percent from actual expenditures for the same period during the latter half of last year. More than 50 percent of the enterprises currently under the Ministry of Aeronautics have implemented a system of examination and approval for expenditure items. For example, the 011 base has

stipulated that expenditures over 100 yuan must be approved by the plant director or chief accountant. This measure alone made it possible for the entire base to save 20 million yuan in expenditures last year.

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INDUSTRY

BRIEFS

ZHUHAI INDUSTRIAL OUTPUT--Zhuhai City's total industrial output value in the first quarter of this year reached 293 million yuan, an increase of over 45 percent as compared with the same period last year. During the January-March period this year, the city's total output value for the processing of materials supplied by foreign businessmen reached nearly 60 million yuan, an increase of over 150 percent as compared with the same period last year.

[Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT
21 Apr 87 HK] /9599

CSO: 4006/579

AGRICULTURE

ON RAISING, REVISING AGRICULTURAL INVESTMENT

Taiyuan NONGYE JINGJI XIAOGUO [AGRO-ECONOMIC RESULTS] in Chinese No 6, 25 Dec 86 pp 1-3

[Article by Geng Zhi [5087 0037], Investment Institute of the People's Construction Bank of China: "Raising the Ratio and Readjusting the Composition of Agricultural Investments"]

[Text] From 1953 to 1980 agricultural investments in China (including agriculture, forestry, water conservancy, and meteorology) accounted for 10.6 percent of our investment in capital construction (of this, the ratio of investment within the state budget was 11.4 percent). The ratio of investment in farm machinery, chemical fertilizer, and pesticides to serve agriculture directly measured 4.27 percent. Thus we laid a foundation for overcoming natural disasters and improving the level of farm cultivation. However, during the Sixth 5-Year Plan the ratio of investments in capital construction on farmland was budgeted at 6.14 percent but only 5.07 percent was actually invested (of this, in 1985 the ratio of investment within the state budget was 5.4 percent). The ratio of investment in farm machinery, chemical fertilizer, and pesticides was only 1.3 percent, marking a decline to its lowest historic level (see Table 1).

Since the 3d Plenum of the 11th Central Committee, China has reaped successive bumper harvests. Over and above the CPC's policy of enriching the people, the state's enormous investment over 30-plus years has been a major factor in this success. However, since the Sixth 5-Year Plan, because of the decreasing ratio of state investment in agriculture, among other factors, annual production declines of 30 percent or more are occurring on 10 to 20 million hectares of disaster-stricken farmland and our capacity to withstand natural disasters is less even than it was during the Fifth 5-Year Plan. In the past 7 or 8 years irrigated area in China has continuously fluctuated around 40 million hectares. Because investment has been light, not only can urgent water conservancy projects not get started, but many existing water conservancy facilities cannot be maintained properly. This seriously affects our ability to take advantage of the benefits of water conservancy projects, and in some areas a delining trend has appeared in water conservation (see Table 2).

In China 80 percent of the population is agricultural--this is one of China's fundamental national characteristics. In the "Report on the Seventh 5-Year Plan, Premier Zhao especially emphasized that "Constantly strengthening agriculture, this national economic foundation, is an important strategic Table 1. The State of Decline in Capital Construction Investments in Agriculture and Industries Directly Related to Agriculture

Time Period (Year)	Capital Construction Investment (in million yuan)	Proportion of Total Investment Agriculture, Forestry, Water Conservancy Meteorology	Farm Machinery, Fertilizer, Pesticides,
1953-1980	729,860	10.6	4.27
Including:			
First			
5-Year Plan	58,847	7.1	1.2
1962	7,126	20.2	3.2
Fifth			
5-Year Plan	234,217	10.5	4.6
Sixth			
5-Year Plan	341,009	5.07	1.3
Including:			
1981	44,291	6.6	1.4
1982	55,553	6.1	1.2
1983	59,413	6.0	1.2
1984	74,315	5.0	1.4
1985	107,437	3.4	1.35

policy of modernization in China. [Endquote not marked in text] Considered from the standpoint of the Chinese countryside, if we are to enhance the stamina of agricultural development we must concentrate on constructing all the basic facilities and projects for developing agriculture. For example, we must concentrate on constructing large and medium-sized water conservancy installations and large-scale agricultural commodity production bases, as well as various kinds of basic facilities for agricultural modernization. From the perspective of the world's nations, this depends primarily on the state undertaking to organize and arrange for a certain quantity of investment. In 1980 agricultural investment accounted for 13.5 percent of state investment in Hungary; during the Soviet Union's Eleventh 5-Year Plan agricultural investment was planned at 27 percent and the total quantity of investment reached 177.1 billion rubles. The "(Draft) Resolution on Certain Problems in Accelerating Agricultural Production" formally passed by the 4th Plenum of the 11th Central Committee pointed out that "In the next 3 to 5 years the proportion of overall capital construction investment devoted to agriculture must gradually rise to about 18 percent." Obviously this has strategic significance. We believe that, considering the changes in the overall investment system and the new situation we will face after the rural economic system is reformed, during the Seventh 5-Year Plan it is inadvisable for the ratio of state agricultural investment to drop below 10 percent, and during the Eighth 5-Year Plan it should rise gradually to about 20 percent.

The Seventh 5-Year Plan calls for the state to invest 500 billion yuan in capital construction. Of this, agriculture will get 14.68 billion of the 375 billion yuan investment arranged by departments under the Party's Central Committee. If we figure based on 1985, when agricultural investment arranged by departments under the Party's Central Committee measured 70 percent of all agricultural investment, investment in capital construction on farmland during the Seventh 5-Year Plan will reach only 21 billion yuan, or 4.2 percent of Table 2. Changes in the State of Agricultural Production Conditions Since 1978

Feature	1978	1980	1982	1984	1985
Tractor-plowed area (million ha)	40.670	40.990	35.115	34.922	34.442
Irrigated areaa (million ha)	44.965	44.888	44.177	44.453	44.036
Portion irrigated electro- mechanically (million ha)	24.895	25.315	25.145	25.062	24.629
Electromechanical wells (millions)			2.621	2.675	2.628
Reservoirs (thousands)			869.00	849.98	
Reservoir storage capacity (billion stere)			418.8	429.23	
Reservoir effective irri- gated area (million ha)			15.943	15.831	
% of waterlogged area on which waterlogging is eliminated			76.1	75.9	
% of total runoff area on which soil and water loss is controlled			34.2	36.9	
% of saline-alkaline cultivated area on which alkalinity is controlled			58.9	61.0	
Natural disaster area (million ha)	50.79	44.53	33.13	31.89	44.36
Flooded portion (million ha)	2.85	9.15	8.36	10.63	14.20
Drought portion (million ha)	40.17	26.11	20.70	15.82	22.99
% of disaster area on which disaster was induced	42.9	50.1	48.7	47.9	51.2
% of flooded area on which disaster was induced	32.3	54.9	53.3	50.8	63.0
% of drought area on which disaster was induced	44.7	47.8	48.2	44.4	43.8

total investment. This is even lower than during the Sixth 5-Year Plan. The focus of investment by the central authorities should be on ensuring construction of energy resources, communications, and transportation. The bulk of agricultural investment should be borne by local areas. Under the

Seventh 5-Year Plan overall local investment is to total 112.5 billion yuan. If we figure that total agricultural investment will reach 10 percent of total investment, local agricultural investment should be increased to 30 percent or more (thus, during the Seventh 5-Year Plan local agricultural investment will measure exactly 70 percent of total agricultural investment). However, from our survey of Jiangxi, where agriculture accounts for a relatively large proportion of the national income, we can see that during the Seventh 5-Year Plan the proportion of overall local investment to be used for capital construction on farmland will in fact drop from 24.5 percent under the Sixth 5-Year Plan to 18.2 percent. As a result, only 105 million yuan can be arranged to meet 250 million yuan worth of reinforcement work needed on large and medium-sized reservoirs in Jiangxi. Therefore, we believe that it is of great urgency that the proportion of local agricultural investment during the Seventh 5-Year Plan be increased.

Another way to increase the proportion of agricultural investment is to adopt policies encouraging farmers themselves to accumulate agricultural investment and enlarge the ratio of town and township enterprise investment in agriculture. In reality, in the past few years township and town accumulation for investment in capital construction on farmland has been declining. According to statistics, during the first 3 years of the Sixth 5-Year Plan about 7 percent of rural township and town accumulation was invested annually in capital construction on farmland. But in 1984 the combined total of capital construction on farmland, procurement of agricultural machinery, and aid for impoverished teams was less than 7 percent. Thus, we must first bring township and county governments to recognize the strategic importance of increasing agricultural investment and set a policy of "using industry to subsidize agriculture" by expanding township and town accumulation for agricultural investment. In the past few years township and town enterprises have applied accumulations totalling 10 billion yuan per year, and in the future this will increase without interruption. If we can raise the proportion used for agricultural investment to about 35 percent, as in the first four years of the Sixth 5-Year Plan, we can approach the total quantity of state investment in capital construction on farmland made during that period.

At the same time, in terms of the distribution of investment, we should first arrange to repair and remodel existing facilities (such as annual reservoir repairs and dyke and dam reinforcements). We must study how to use investments within the state budget to organize and guide departmental, local, and enterprise funds outside the state budget, including the funds of township and town enterprises and individual farmers. As for investment applications, we can contemplate establishing a graded "agricultural development fund" and implementing truly compensatory utilization of agricultural investments to accelerate and improve the results of agricultural investment.

The decline in the ratio of agricultural investment is not observed directly in energy resources, communications, and transportation, and people may ignore the gravity of the situation. What we must further suggest is that although our reform of the rural economic system, featuring the output-related system of contracted responsibility, has gained world-renowned success, in certain respects the relations of production have been perfected through retrogression

in the forces of production. In the past 7 or 8 years the conditions of agricultural production have not changed significantly and agriculture, the foundation of the national economy, is still relatively weak. One grim fact is that if we do not suitably increase the ratio of agricultural investment, quickly improve the conditions of agricultural production, and accelerate the achievement of agricultural modernization, in the end we will miss out on achieving the four modernizations.

In order to meet the need to construct modern agriculture, at the same time as we increase the ratio of agricultural investment we must also readjust the composition of investment within agriculture. In the 30-plus years since the founding of the PRC, we have used more than half of all agricultural investment for water conservancy construction. This was necessary at the time. However, with daily progress in agricultural science and technology, intensified reform in the rural economic structure, and uninterrupted growth in the commodity economy, it will not benefit agricultural development to put excess emphasis on water conservancy with our limited funds and ignore other needs. Therefore, in future agricultural investment, while we maintain a certain scale of water conservancy construction we must correspondingly increase investments to develop new agricultural techniques, construct large-scale bases to produce agricultural commodities and to export farm and sideline products, develop agriculturally backward regions, and transform agricultural technology so that regions with great potential for developing agricultural production can improve unit yields by a large margin. We must work constantly to create and perfect a rural industrial composition and regional economy suited to the needs of large-scale commodity production.

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AGRICULTURE

XIZANG OFFICIAL ON REFORM, AGRICULTURAL PRODUCTION

HK090701 Lhasa Xizang Regional Service in Mandarin 1130 GMT 8 Apr 87

[Text] At a meeting on handing over and taking over leadership attended by members of the old and new leadership groups of Shannan Prefecture, Doje Cering, deputy secretary of the regional party committee and chairman of the regional government, discussed economic structural reform in agricultural and pastoral areas. He said: Efforts should be made to develop in depth the economic structural reform in agricultural and pastoral areas, to invigorate the economy in the agricultural and pastoral areas as a whole, and to promote the economy in the agricultural and pastoral areas to move toward the diversified economy and commodity economy.

Comrade Doje Cering said: The region's agricultural and pastoral areas now face the problem of restoring and developing the economy. Leaders at all levels must effectively strengthen leadership over agriculture, take effective measures to develop reform in depth, and promote the economy in agricultural and pastoral areas to move toward the diversified economy and commodity economy.

He said: All the policies we are now implementing correspond with Xizang's reality and meet the desire of its people. Our general principle and basic policy will not change, and it is impossible to change them. We must realize that opening up and invigoration do not mean laissez-faire, and that our policies remain unchanged for a long time does not mean noninterference. The problem now is that we must further implement all policies in agricultural and pastoral areas and perfect the policies, so that we can deepen the economic structural reform and invigorate the economy in the agricultural and pastoral areas as a whole.

Comrade Doje Cering pointed out: To genuinely promote the development of agricultural production and animal husbandry, we must depend not only on policies, but also on changes in production conditions and on the application and promotion of science and technology. He said: In the future, we must pay attention to improving production conditions; otherwise, promoting the development of production is just empty talk. To improve production conditions, we must focus on developing water conservancy projects and grassland. On the basis of doing a good job in maintenance, coordination, and management of water conservancy and grassland facilities,

we must first develop some medium-sized and small projects according to our own abilities. We must vigorously plant trees and grow grass, increase vegetation, and improve ecological conditions.

Comrade Doje Cering said: Leaders at all levels must fully understand and highly value the importance of applying science and technology in agricultural production and animal husbandry, enhance scientific and technological force, gradually improve conditions for conducting scientific research and promoting science and technology, actively train agrotechnicians among peasants and herdsmen, continue to institute the responsibility system for promoting science and technology in agriculture and animal husbandry, firmly grasp experimental fields for promoting science and technology, and actively carry out the technological contract system. Meanwhile, it is necessary to extensively and profoundly conduct education among the masses in scientific and technological knowledge and to teach them to farm and raise domestic animals in a scientific way.

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AGRICULTURE

STATE QUOTA SYSTEM TO COMBAT 'SERIOUS' LAND LOSS

HK170246 Beijing CHINA DAILY in English 17 Mar 87 p 3

[Special report by Ma Ying]

[Text] China will issue by the end of this month state quotas on the conversion of cultivated land for non-agricultural construction in 1987, in an effort to curtail the heavy loss of land which is continuing despite legal and state administrative measures.

The quotas mark the first time that China will have a national planned management of cultivated land used for non-agricultural construction, according to Wang Xianjin, general director of State Land Administration.

He made the comment at a recent meeting of the State Planning Commission and State Land Administration.

The state quotas in this year's plan will, for the present, cover three areas of non-agricultural construction--construction by state departments and enterprises, collective institutions and enterprises, and farmers' housing, he said.

Wang would not disclose the exact amount of this year's quota but revealed that it would be below 320,000 hectares--the amount of cultivated land used for non-agricultural construction in 1985.

"China has a large population and its land resources are badly deficient, but the present situation of abusing, occupying unlawfully, wasting and destroying land and land resources is serious. It has resulted in great losses of cultivated farmland," Wang said.

The state quota system is "one of the most important measures by the government to control the use of cultivated land and protect limited land and land resources from being abused or illegally occupied," said Liu Guangjin, director of the Department of Land Use Planning under the State Land Administration.

According to statistics, China has lost an annual average of 7.8 million mu (0.52 million hectares) of cultivated land each year since 1957. In 1985 alone 15 million mu (1 million hectares) were lost.

Because of the land loss and the population growth, each person in China now only has 1.5 mu (0.1 hectares) of cultivated land, half the amount of the early 1950's.

A total of 20 provinces, autonomous regions and municipalities have been losing land for six consecutive years. And despite state warnings and punishments, the illegal occupation and use of farmland remains unchecked in some areas, causing a great loss of land resources and drop in grain production, statistics show.

Liu said that no planned state quotas are to be enforced this year on forests, land used for animal husbandry, fishing ponds and orchards.

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AGRICULTURE

BAN YUE TAN ON RURAL ECONOMIC POLICIES

HR200930 Beijing BAN YUE TAN in Chinese No 4, 25 Feb 87 pp 14-17

[Article by BAN YUE TAN Economy Editorial Office: "Questions and Answers Concerning Current Rural Economic Policies"]

[Text] Question: What is the basic starting point of the rural economic structural reform?

Answer: To develop the socialist commodity economy, promote the agricultural modernization, and make the rural areas prosperous and flourishing.

Question: In what aspects has the framework of the new rural economic structure begun to show results?

Answer: 1. Reforming the previous structure of the people's commune, separating the function of government from that of enterprises, adopting the system of contracted responsibilities mainly on the household basis with payment linked to output, and expanding the operational decisionmaking power of producers.

2. Most agricultural products basically can now be exchanged in the market; grain and other products follow a "double-track" system of contract purchase and market purchase; labor, funds, technology, and so on have also begun to flow laterally; and the market system under planned guidance will be gradually set up.

3. The previous unitary production structure separating the urban and rural areas has been broken through and the rural economy is now becoming a diverse economy managed by varied departments.

4. New economic combinations, such as two-tier, contracted, rental, partnership, and joint-stock operations, as well as joint ventures of different ownership systems have emerged and the rural economy will become a setup centering on public ownership and allowing the coexistence of various economic elements and varied operational patterns.

5. The state has begun to concentrate on using means like prices, taxation, credits, laws and regulations, and so on to regulate the rural economy and gradually set up and perfect the regulative mechanisms of the macroeconomy.

Question: How to carry out the rural reform in a deep-going way?

Answer: Being just in the transitional period between the new and old structures at present, people must uphold the reform and make full use of the favorable conditions. They should be good at seizing opportunities to choose the easy links and at mobilizing the masses to participate in the reform. Moreover, to coordinate with the urban reform, people should do well the tasks of replenishment, consolidation, coordination, and promotion and promote the development of the new structure. People should actively push forward the reform as well as making it progress steadily to avoid social repercussions.

Question: What are the general requirements for the economic work in the rural areas?

Answer: Proceeding from the overall situation and mobilizing the enthusiasm of the vast numbers of peasants, people should create new conditions for the rural economic development and should never overlook the growth of the rural economy and opening up new income sources for the peasants.

Question: What is the central task for the forthcoming rural reform?

Answer: In the light of the requirement of developing the planned commodity economy, it is necessary to gradually reform the system of unified and fixed state purchase of agricultural products and to set up and perfect the market system for agricultural products.

Question: How should we look at grain production?

Answer: Agriculture is the basis of the national economy and grain production is the basis of that basis as well as the precondition for readjusting the production structure. Due to industrial development and the constant improvement of people's lives, more and higher demands will be made on grain consumption. Therefore, all thinking and practices of overlooking grain production are harmful. As the state will work out the medium- and long-term investment plans for agriculture, local governments must also spend a considerable part of the increased revenues every year on agriculture. Meanwhile, it is necessary to vigorously spread the appropriate techniques and measures, effectively organize the supply of production means, perfect the pricing policy, and strive to bring grain production to a new stage.

Question: What is the policy for grain purchase?

Answer: As grain is a necessity for people's living, we should maintain a stable market supply at all times. Judged by the present situation and the development tendency of grain supply and demand in our country, for a considerably long period of time in the future, we must continue to enforce the "double-track system" of contract purchase and market purchase.

that is, after the state purchases part of the grain in the form of contracts and according to specified prices, the remainder can be freely purchased according to market prices. As a sales quota of the state to be fulfilled by peasants, the sale of grain by contract should be guaranteed. Meanwhile, in the light of the development of grain production and the state of finance, the state should gradually reduce purchase by orders, perfect contracts, and expand free sales and purchases. At present, it is most important to perfect the purchase by contract and to truly remove the controls over, and invigorate the purchase of, grain which is not to be purchased by contracts.

Question: How to further extend the circulation channels?

Answer: It is necessary to support the peasants in getting organized to get into circulation. The supply and marketing cooperatives should, as soon as possible, become cooperative commercial organizations in the light of the principle of the cooperative and perfect the service system for commodity production. The state-run commercial enterprises should truly become economic entities conducting business accounting independently and assuming full responsibility for their profits and losses. It is necessary to rationally develop transregional lateral circulation and gradually form a nationwide unified market for agricultural products. People should never seal each other off and artificially block circulation.

Question: How to invigorate rural finance?

Answer: It is imperative to carry out the rural financial structural reform, invigorate the financial enterprises, gradually remove control over interests rates, and open up the capital market.

The credit cooperatives should eliminate the long-standing malpractices which emerged under state management and exercise democratic management, carry on independent operations, and assume full responsibility for their profits and losses, on the premise of abiding by the financial laws and regulations of the state.

We should affirm and support in principle the methods of free borrowing and lending of money, fund raising and collective investment, and the trial issuance of shares and bonds on a people-to-people basis in the rural areas, the cooperative banks set up by the cooperative economic organizations in some townships and villages or enterprise groups, and the trust and investment companies in some localities. It is necessary to develop various patterns of funds accommodation.

Question: What are the main tasks for the cooperative organizations in the rural areas at present?

Answer: First, to provide production services for the rural households; and second, to strengthen the management of contracting and contracts.

Question: How to strengthen the management of land contracting?

Answer: It is necessary to further stabilize land contracting relations. As long as the contracting households carry on their operations according to the contracts and do not make changes within the specified contracting period, after the expiration of the contracts the rural households can renew them. Those contracting households which have been operating on a certain scale and have realized intensive farming and effectively increased their output can demand that they sign longer contracts.

As for those households which have been engaged in other professions for a long time and which are not tilling the land themselves, unless they come under some other policies, they should in principle return their land to the collective or subcontract it to others with the permission of the collective.

Land contracts should specify the grade of land quality. If land productivity is raised during the contractual period due to land improvement and increased investment, when the land is contracted to others the collective or the new contractors should pay an appropriate indemnity. Those contracting households which have laid waste their land should receive economic punishment until their contracted land has been recovered. It is imperative to strictly enforce the law of land management and to stop the misuse of farmland.

As the land system of contracted responsibility with payment linked to output is a kind of responsibility system within the cooperative economy, both the collectives contracting out land and the rural households contracting land should strictly carry out their obligations specified in the contracts. The contracting households should use the land according to the terms of the contracts and should not change it to serve nonagricultural purposes without permission. They should deliver a portion of the retained profits to the collective and fulfill the state's purchase quotas for agricultural products. The collectives should also provide services to the rural households according to the terms of the contracts.

Question: How to look upon the various economic combinations?

Answer: Regarding the various combinations, we should give the masses the necessary opportunities to choose for themselves and gradually sum up the experiences having the nature of an objective law to provide them with guidance. We should never meddle rashly against the objective law and the wishes of the masses and repeat the previous practice of compulsorily enforcing a particular unitary pattern.

Question: How to develop the various economic combinations?

Answer: The small economic combinations formed by rural households have emerged in large numbers at present. This is an experiment in the development of commodity production and should be encouraged.

The various economic combinations formed on a voluntary basis among agriculture, industry, and commerce, between urban and rural areas, and among regions have broken the bounds of regions and ownerships. Representing a new direction in forming lateral combinations, they should be vigorously encouraged.

Through the purchase and transfer of shares on a voluntary basis, the economy of shareholding systems can extensively raise funds, guide the flow of funds in the direction of high effectiveness, and also play a promotive role in separating government functions from those of the township and town enterprises and in socializing private enterprises and assets. It is necessary to actively make explorations and sum up experiences to promote its healthy development.

Question: What are the policies on the individual economy and the private enterprises?

Answer: Regarding the various specialized households and individual households among individual economic undertakings in the rural areas, it is necessary to adopt a policy of long-term stability to protect their normal operations and legitimate rights. We should respect their freedom to choose operational patterns and should not force them to change their production patterns.

In order to make up for deficiencies in labor, individual operators can hire one or two helpers, and those possessing technical know-how can take on three or five apprentices. As for those private enterprises which have hired workers in excess of this limit due to expansion of their operations, we should adopt a policy allowing their existence, strengthen management, promote what is beneficial and abolish what is harmful, and provide guidance in a step-by-step way.

Question: How to further develop the township and town enterprises?

Answer: The rise of township and town enterprises has facilitated the transference of rural laborers and will continue to develop in the future. Nevertheless, people must choose the correct production policies in the light of local conditions, promote the "Spark Plan," and speed up the technical transformation. The developed areas and the suburbs of major cities should coordinate their production with the cities, carry out joint operations with other localities, and develop their enterprises into types earning foreign exchange. In the areas with inadequate technological, communications, market, and energy conditions, it is necessary to encourage "driving the four wheels together," that is, the enterprises run by townships, villages, and individual households and joint ventures should work together. People should begin with handicrafts, gathering, mining, and construction material industries, as well as the processing of local and special products, and develop them in a step-by-step way. They should not indiscriminately copy the methods of the developed areas and blindly start large projects.

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AGRICULTURE

PRIVATE GARDENS IN ANHUI SEEN AS WAY TO PROSPERITY

OW231422 Beijing XINHUA in English 1400 GMT 23 Apr 87

[Text] Hefei, 23 April (XINHUA)--The "garden economy," mainly the cultivation of cash crops on plots around farmers' houses is reviving in Anhui Province as a way for farmers to achieve prosperity.

A provincial official said the province has adopted policies to encourage farmers to pursue this type of market gardening, which also involves livestock breeding and sideline production on the plots and on waste land, hillsides, ponds, etc.

Farmers now may hire hands, grow what they like in their gardens and sell their garden-produced products on free markets, the official said, adding that they also receive low-interest loans and enjoy tax cuts.

Anhui was the pioneer in introducing the initiative-based responsibility system in 1979, to which the present prosperous agriculture throughout the country is attributed.

Having solved the problem of food and clothing, Anhui farmers began turning their attention to plots around their houses as sources of wealth. The province has about 670,000 hectares of such plots--one-sixth of its farmland.

After the Chinese countryside was collectivized, farmers were allowed to own "private plots," on which they planted grain crops and vegetables, primarily for their own consumption.

However, the plots were condemned as a "trace of capitalism" during the "Cultural Revolution" (1966-76). As a result, farmers had to either hand them over to rural collectives or cut back their size.

Today, the garden economy is geared largely to market needs in a change from the previous consumption pattern, the provincial official said.

Farmers in southern Anhui's Xuancheng Prefecture, a pilot in boosting the garden economy, have opened large numbers of garden-based small tea, fruit, mulberry, ramie and bamboo plantations. Small livestock farms, chicken farms and nurseries of young plants are also thriving.

The official said that the garden economy in Xuancheng now accounts for 75 percent of the farmers' annual incomes.

Zhu Gendi, a woman in her 40's, of Ningguo County, said, "the garden economy has brought prosperity to my family of eight." She started her garden economy last year. Her two daughters are now attending to a mulberry and tea plantation, planting traditional Chinese medicinal herbs and raising silkworms. Her son and daughter-in-law are growing grain crops and planting trees. Her husband now runs a small shop.

Last year, her family earned 10,000 yuan (about 2,700 U.S. dollars), averaging 1,200 yuan per person, compared with the province's average of 400 yuan per rural resident.

Some farmers are making the best use of their gardens by adopting intercropping and interplanting. Shen Guangyao of Guangde County, said, "only in this way can we become prosperous." In his garden he has planted 780 trees, around which he grows vegetables and other short-stalk crops. He also raises bees, and earned about 1,000 yuan from the garden last year.

According to the official, Anhui's rural areas now have two million garden-based farms of all kinds.

Zhou Xinsheng, an official of the Provincial Economic Commission, said, "the garden economy will not affect grain production, because it's confined to small plots and waste land." After earning more from their gardens, he went on, farmers will be able to spend more on grain production. Anhui harvested a record 23.7 million tons of grain last year, up 9.4 percent from the previous year.

Anhui Provincial Governor Wang Yuzhao pledged to give further encouragement to the garden economy as a way to stimulate the rural economy as a whole. The average income per rural resident is expected to rise from 400 yuan this year to 500 yuan in 1990, he said.

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AGRICULTURE

GUANGDONG INTENSIFIES AGRICULTURAL DEVELOPMENT

OW210632 Beijing XINHUA in English 0621 GMT 21 Apr 87

[Text] Beijing, 21 April (XINHUA)--South China's Guangdong Province has intensified the development of agriculture in the past two years.

The plan is to increase fruit and vegetable crops and aquatic products, according to the PEOPLE'S DAILY.

Mountains cover 70 percent of the province where farmland accounts for only 20 percent of the region. The newspaper says the territory has great potential for growing tropical and subtropical crops.

According to statistics, the province has more than 11.3 million hectares of hilly land, and more than 3.3 million hectares of waste land that has not yet been exploited.

With a coastline of more than 4,300 kilometers and 153,000 hectares of beaches there is also potential for aquatic breeding. However, just half of these resources have been tapped.

In the past two years, Guangdong, one of China's leading fruit producers, has planted 600,000 hectares of trees, including more than 130,000 hectares of fruit trees, a 40 percent increase, said PEOPLE'S DAILY.

Zhanjiang City, one of China's 14 open coastal cities, employed more than 100,000 workers last winter to build about 9,300 hectares of ponds to breed prawns.

Up to now, about 9,000 hectares have been completed, thus turning Zhanjiang into the largest prawn producer in Guangdong Province, the paper said.

Guangdong's drive to promote intensive development of agriculture in the past two years has surpassed expectations, the paper said by quoting Lin Ruo, secretary of the Guangdong Provincial Communist Party Committee.

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AGRICULTURE

UN AID HELPS HENAN AGRICULTURAL REGION PROSPER

OW211436 Beijing XINHUA in English 1348 GMT 21 Apr 87

[Text] Zhengzhou, 21 Apr (XINHUA)--Thanks to United Nations' aid, a once-poor area in central China's Henan Province sold 13,000 tons of grain to the government for the first time last year.

Under an agreement signed with the Chinese Government 3 years ago, the UN World Food Program provided aid to 33 townships in three counties administered by the city of Kaifeng, in northern Henan. The agricultural aid project was completed last month, a provincial official said.

The recipient area has a rural population of 534,000 and 72,000 hectares of farmland. Due mainly to alkaline soil, it used to be one of the poorest areas in Henan and had to depend on 6,000 tons of grain a year shipped in from elsewhere.

Using the UN aid, local farmers have built new water conservation projects, including an irrigation system which diverts water from the Yellow River to 11,000 hectares of farmland. They have also expanded the irrigated acreage by 17,300 hectares and improved irrigation on another 14,000 hectares.

Meanwhile, 10 million trees have been planted, raising the tree coverage from 10 percent to 12 percent.

The area's earnings from agriculture and the net income per rural resident were four times that of 1983. Moreover, its grain output jumped 46.4 percent, cotton, 200 percent and oil-bearing seeds, 520 percent.

The area earned 75.78 million yuan (about U.S.\$20.5 million) from livestock breeding, sideline production and fisheries last year, 11.6 times as much as in 1983.

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AGRICULTURE

HUBEI GRAIN GROWING AREAS INCREASED IN 1987

HK220841 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 21 Apr 87

[Excerpts] Cadres and peasants in the province's rural areas are now racing against time, combating natural disasters, actively doing spring farm work, and trying every means to lay down a solid foundation for reaping an overall bumper harvest in agriculture this year.

Since spring this year, all localities in the province have firmly grasped the work concerning the purchase of grain, cotton, and oil by contract and the implementation of the three linking up policy, thus further arousing the enthusiasm of the peasants.

The province's grain-growing area this year increased as compared with last year. Its early rice-growing area increased, of which the early rice-growing area in Huanggang, Xiaogan, Xianning, Jingzhou, and Yichang prefectures this year increased by more than 300,000 mu over last year. The province's hybrid rice-growing area exceeded this year's target. Its [words indistinct] and corn-growing area increased by 300,000 mu over last year; and its cotton-growing area was also up from last year.

All localities have also adopted effective measures to firmly grasp the work of combating natural disasters to ensure spring sowing and field management.

All localities in the province have also paid attention to the production and supply of the means of production. The volume of chemical fertilizer sold by the province's supply and marketing cooperatives so far has increased over the same period of last year, and the loans released by the province's agriculture banks and credit cooperatives to develop spring farm work also increased over the same period last year.

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AGRICULTURE

JINGJI RIBAO REVIEWS AGRICULTURAL DEVELOPMENT

OW071355 Beijing XINHUA in English 1312 GMT 7 Apr 87

[Text] Beijing, 7 Apr (XINHUA)--After years of growth in the agriculture sector Chinese officials are trying to provide even more impetus to farmers to feed the country's one billion.

The problem of continuing agriculture development was discussed in an article in today's ECONOMIC DAILY by Liu Zhongyi, vice-minister of the State Planning Commission. He said a proper general outline of agricultural, forestry, animal husbandry, fisheries and sideline production, better use of agricultural investment, development of grain production bases and promotion of technical advances in agriculture will continue to stimulate food production.

From 1979 to 1986, China achieved an annual average increase of agricultural output value of 10.7 percent. And grain output rose by 8.425 million tons and cotton output by 190,000 tons a year. The average income for every peasant was raised from 160 yuan to 424 yuan during the same period.

Liu attributed this fast development to implementing the responsibility system in agriculture which links production with income, streamlining the decision-making process, raising purchase prices of some agricultural produce, eliminating price controls on some agricultural produce and restructuring the cultivation of grain and economic crops.

He said that agriculture is now on a normal course of development, and that the country must work out new measures to keep up this development.

The Chinese Government has decided to invest more in agriculture during the Seventh Five-Year Plan period (1986-1990).

Liu suggested the administration of agricultural investment be reformed. In the past, all the agricultural investment was distributed to administrative organs at different levels without specifically defining how the investment should be used. From this year, the increased agricultural investment should be used to make the investment more effective by linking its use with responsibility, he said.

The work of promoting the establishment of grain production bases should be strengthened, he said, adding that this will gradually help form a proper agricultural structure. And priority should be given to promoting technical advances in agriculture using agricultural investment, the vice-minister of the State Planning Commission said.

AGRICULTURE

NINGXIA AREA REAPS GOOD HARVEST DESPITE DROUGHT

OW150821 Beijing XINHUA in English 0627 GMT 15 Apr 87

[Text] Yinchuan, 15 Apr (XINHUA)--Despite a serious drought, people living in the mountainous area of the southern Ningxia Hui Autonomous Region still reaped a good harvest, a local government official told XINHUA today.

The southern mountainous area has a population of 1.7 million and covers eight counties with a total area of 32,000 sq km.

The region received 100-160 mm of rain in the past 9 months, accounting for only 50 percent of that in ordinary years. Yet, the temperature rose 2 to 4 degrees centigrade higher than in previous years.

As a result, 306,000 hectares of farmland in the region were covered with up to 20 mm of dried topsoil. People and animals had difficulty in getting drinking water, and large tracts of grassland and forests were withering.

However, the region increased its grain output from 295 million kg in 1985 to 310 million kg in 1986.

A local official in charge of agriculture attributed this to increased government investment and a series of measures taken by the local authorities to help the region combat drought.

Last year, the state invested 30 million yuan (about U.S.\$8.1 million) in water-conservancy projects and other facilities. With the money, the region has built 1,000 motor-pumped wells bringing an additional 26,600 hectares of farmland under irrigation.

The region also built 36 projects which brought enough drinking water for 290,000 people and 90,000 animals.

Meanwhile, the government exempted the region from agricultural taxation for 10 years and provides every person in drought-stricken areas with 180 kg of grain a year.

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AGRICULTURE

AFFORESTATION WORK CONTINUES

OW081934 Beijing XINHUA in English 1652 GMT 8 Apr 87

[Excerpts] Beijing, 8 April (XINHUA)--Beijing's voluntary afforestation program, which started this month, has drawn the support of two million people, from state officials to ordinary citizens, who have planted a million pine, cypress and willow trees in scenic spots like the Temple of Heaven, the Ming Tombs, and the Western Hills. The tree-planting projects also include Beijing's suburbs and thoroughfares. The volunteers have prepared soil for and watered seven million trees and 400 square meters of lawn.

Beijing's volunteers are leading the country, and according to recent statistics, 200 million people have taken part in the afforestation program since its introduction last winter. To date, 1.4 billion trees have been planted in 19 provinces, cities and regions in east, south, and southwest China. The planted areas cover 2.33 million hectares, about 53 percent of this year's afforestation plan.

As the weather gets warmer, mass afforestation in northwest, northeast and north China will also be under way.

Rural China's afforestation is progressing rapidly, and now a planned network of fields and forests cover 1.25 million hectares, and 900 million trees have been planted around farm houses. The air force and China's Civil Aviation Administration have also seeded 160,000 hectares by plane.

Voluntary afforestation, which aims to improve the ecological conditions and beautify China's cities and countryside, started in 1981. The program began in larger cities but has spread to town and rural areas.

Over the past five years, five billion trees have been planted by volunteers and urban tree coverage has increased 50 percent.

"China now suffers a deteriorating ecological environment, serious soil erosion and natural disasters caused by wind, sand, drought and flood," Vice Premier Wan Li said recently, "and without improvement, the country's economic construction will be seriously affected." Wan called on leaders at all levels to involve their constituents in tree planting to conserve soil and improve the environment.

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AGRICULTURE

BRIEFS

JAPANESE PLANTING TECHNIQUE--Harbin, 15 Apr (XINHUA)--A new rice planting technique helped northeast China's Heilongjiang Province increase rice output 200 percent last year over 1982, a local agricultural official announced today. The technique of planting rice paddies with fewer seedlings in cold climates was introduced from Japan according to an agreement signed by the science and technology exchange associations of Heilongjiang and Hokkaido. With the help of Japanese agro-technicians, the province increased paddies using the new method from 336,000 to 600,000 hectares and total rice output jumped from one billion to over 3 billion kilograms. "The new technique saves seedlings and water, ripens earlier, and yields more," a local agro-technician said, adding implementation of the new method saved 300 million yuan (U.S.\$81 million) for the province last year. [Text] [Beijing XINHUA in English 0644 GMT 15 Apr 87] /9604

SICHUAN AERIAL-SEEDING--Chengdu, 17 Apr (XINHUA)--Sichuan Province will begin trial aerial-seeding on mountains 2,500 meters above sea level before the rainy season arrives in May. Since 1958, the province has aerial-seeded lower mountains. Sichuan is one of China's major forest areas. Two-thirds of its 7.3 million hectares of forest zones are in the northwest and southwest of the province but excessive felling has denuded large areas. [Text] [Beijing XINHUA in English 1547 GMT 17 Apr 87] /9604

HEILONGJIANG WATER PROJECTS--Harbin, 15 Apr (XINHUA)--The Chinese Government has decided to invest 60 million yuan (more than U.S.\$16 million) this year to construct water conservation projects on the Sanjiang plain in northeast China's Heilongjiang Province. The plain in the eastern part of the province where the Heilong, Wusuli and Songhua rivers flow is China's leading grain and soybean production base. In the past three decades, it has produced 76 million tons of grain and soybean and provided the state with 34.15 million tons of the crops, according to delegates attending a meeting on the plain's water conservation construction which closed here today. The Sanjiang plain covers more than 3.68 million hectares of arable land and another 2 million hectares of uncultivated land that can be made productive. Since 1982, the Chinese Government has contributed 75 million yuan (U.S.\$20 million) to build water conservation projects on the plain which has increased arable land in the region by about 300,000 hectares, the meeting was told. Last year, five million tons of grain and soybean were produced, 53 percent more than the average annual production in the Sixth Five-Year Plan period (1981-1985). [Text] [Beijing XINHUA in English 1410 GMT 15 Apr 87] /9604

WATER CONSERVATION IMPROVES GRAIN CROPS--Xian, 9 April (XINHUA)--Water conservation projects completed over the past two years have improved grain production on northeast China's Weihe Plain, a local official said today. Chen Hengji representing the Shaanxi Provincial Water Conservation Department said, "despite a heavy drought, last year the area saw a grain harvest of 6.19 million tons, its second biggest harvest." "Since 1985, millions of farmers have renovated 40,000 kilometers of irrigation canals, added 3,000 kilometers of new canals and nine pumping stations, bringing total irrigated land to 730,000 hectares," Chen said, adding the area's total irrigated land now is 5.5 times the 1949 figure. Chen attributed the recent success to implementation of responsibility system in water conservation, coordination of irrigation systems and the introduction of newly-developed techniques. [Text] [Beijing XINHUA in English 1505 GMT 9 Apr 87 OW] /12858

HENAN PEASANT SAVINGS--The rural credit cooperatives in Henan have worked hard to increase savings deposits this year. Deposits by the end of March total 5.72 billion yuan, of which 5.02 billion yuan were peasants' savings deposits. The increase during the first quarter was 490 million yuan. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 21 Apr 87 HK] /12858

GUANGDONG CROP COMPOSITION--In 1987, the area sown to grain in Guangdong Province will be 64,470,000 mu, an increase of 20,000 mu over 1986, of this amount 29,880,000 mu will be sown to early crops, an increase of 70,000 mu. The area sown to peanuts will be 6,300,000 mu, an increase of 150,000 mu over 1986. The area sown to jute and ambari hemp will be 500,000 mu, an increase of 70,000 mu over 1986; and 390,000 mu will be used to raise silkworms, an increase of 21,000 mu over 1986. The marine breeding area will be increased 220,000 mu. [Excerpts] [Beijing HONGGUO JINRONG [RURAL FINANCE] in Chinese 1 Mar 87 p 28]

YUNNAN FARM MACHINE SALES--In the first two months of 1987, net sales of farm machines in Yunnan Province were 36,580,000 yuan, a 39 percent increase over the same period in 1986. [Excerpt] [Beijing ZHONGGUO HONGJINHUA BAO in Chinese 7 Apr 87 p 3]

HUNAN AFFORESTATION--As of 5 March, Hunan Province had afforested 3 million mu. [Excerpt] [Changsha HUNAN RIBAO in Chinese 17 Mar 87 p 1]

HUNAN RICE OUTPUT--In 1986, the area sown to rice in Hunan Province was 64,910,000 mu, gross output was 24.643 billion kilograms, and the average per mu yield was 380 kilograms. In 1986, the area sown to fine quality rice was 11,890,000 mu, and provided nearly 3.5 billion kilograms of rice to urban residents. [Excerpt] [Changsha HUNAN RIBAO in Chinese 19 Mar 87 p 1]

CSO: 4006/586

LABOR

MEASURES FOR OPENING LABOR MARKET DETAILED

HK060740 Beijing JINGJI YANJIU in Chinese No 12, 20 Dec 86, pp 72-83, 80

[Articel by Li Yuzhu (7812 3768 2691): "Measures for Opening the Labor Market"]

[Text] Opening the labor market and reforming the situation of the high-level centrally placed main elements of the labor force are the inevitable trends in the current reform of the economic structure. However, since in our country's enterprises there are usually a large number of superfluous employees and each year society has a large number of laborers seeking employment, the opening of the labor market will inevitably and, for a stated period of time, bring about an unemployment phenomenon. Hence, when concretely enforcing the opening of the labor market, we must proceed cautiously to reduce the risks to a minimum in the course of its implementation. In my opinion, we could consider dividing the opening of the labor market into three separate steps.

The first step is based on the principle of separation of the new and old workers and staff members, implementing the contract system universally among the newly employed workers and staff members and allowing the linking together of the labor-using unit and the workers in the process of mutual selection. The implementation of this system must follow two principles: The first is that the scope of its use must include labor at all levels; all newly employed personnel whether they are common workers or graduates or colleges of specialized institutions of learning or of secondary specialized schools, or, whether they are employees of collective or private enterprises or employees of state-run enterprises, must be subjected to the contract system and there should be no differential treatment. The second is that the signing of the labor contract must be the result of mutual selection between the two parties concerned and of fair competition and there should be no external force of interference. Moreover, the workers and staff members under the contract system must truly be allowed to freely come and go, strictly through the process of appointment and dismissal, and the appointment cannot be a "life long one" in any form. The good points in the enforcement of this measure are the elimination of the influences of the traditional employment system and the creation of precedents for the free flow of labor in society, enabling society to be psychologically prepared for going into the next step in the opening process. Moreover, since the influences of these measures touch only the newly employed and incur limited risks, they can immediately be put into effect.

The second step is to try and gradually extend the appointment system among the workers and staff members already employed to gradually realize equality in the selection of employment opportunities and the incidence of unemployment risks between formerly employed workers and staff members and newly employed ones and to eventually eliminate the system of life-long employment as well as to enforce, in an all-round manner, the objective of the free movement of the labor force. Adopting the principle of doing the easier things first and then proceeding to the difficult ones, the higher-skilled people in the labor force should be the ones to move around, starting first with specialized personnel, proceeding next to ordinary technicians and skilled workers and finally extending to non-skilled workers who are the largest in number and the richest in supply. At the moment in our country, highly-skilled labor is absolutely short in supply and unable to meet the demands while ordinary technicians and skilled workers are also relatively short in supply. To start the ball rolling from these two levels first cannot lead to massive unemployment. Non-skilled workers are really those who face the most risks of unemployment. In our country there is already a surplus supply of this category of labor and with the readjustment of the industrial structure and the technological structure, the surplus will be further aggravated. Fortunately, following the psychological preparations made in anticipation of the movements of the first two layers of the labor force and with the state providing professional training and various relief measures, it may be estimated that the risks incurred will not cause too great reverberations in the social structure.

The third step, on the basis of the first two steps, is to further break the traditional state of separation between cities and the countryside, open up the circulation channel for both the urban and rural labor force, and realize the interflow of urban and rural labor. The large amount of labor now stagnated in the countryside will, of necessity, turn to other economic departments for jobs and of them a portion will inevitably go to the cities to seek employment. The entering of a portion of the rural labor force into the urban labor market will intensify competition in the urban labor market and will work toward improving the condition of the labor supply, including improving the quality of the workers and keeping the wage level from rising too high. The problem is that the size of the labor force staying behind in the rural areas is too large and that the number of workers who can be released to the outside is likewise too large whereas the absorption capacity of the urban labor market as well as the absorption capacity of the whole population's municipal facilities are both very much limited. Hence, it is necessary to open the urban and rural labor markets gradually and on a selective basis. For example, at the moment we can consider opening to the rural labor forces the urban construction industry, the civil engineering sector of large and medium-sized construction projects, and such field pursuits as the mining and extractive industries and finally and gradually extending to other industries and trades thus avoiding the chances of over-unemployment and other social disturbances due to opening the door too widely.

To ensure the smooth realization of the above-mentioned steps the enforcement of a series of supplementary measures is necessary.

First, we must reform the existing system of salaries and wages and delegate to the lower levels the microeconomic decisionmaking powers on salaries and wages.

We must effect a liaison between decisions on the salary and wage level, particularly determination of the relative salary and wage level of different professions, and the condition of supply and demand of labor of different kinds and at different levels and allow market supply and demand, by means of salary and wage levers, to display its regulatory role over the structure of the labor force and the direction of its flow. For this reason we could consider, under the conditions of maintaining the state's macroeconomic control over the general wage level, delegating downward to enterprises the microeconomic decisionmaking power on salary and wages and allow enterprises to make their own determination in accordance with the easy or difficult degree of the procurement of the various kinds of labor services. This is an important accommodation measure in opening the labor market. Without it opening the labor market will be futile.

Second, we must reform the current social protective measures, establish employment insurance protection and a system of social relief and convert employment protection to unemployment protection. Following the opening of the labor market a definite amount of unemployment is unavoidable. At least, it is inevitable that a portion of the workers and staff members will be temporarily laid off in the process of selecting jobs. The basic livelihood of this portion of workers and staff members must be safeguarded. This is the natural demand of the socialist system and is also a condition for ensuring social stability. The question is what form of protection should be taken. In my opinion, it is better to resort to employment insurance. While employed, workers and staff members should pay the insurance company a definite ratio of their remuneration as premiums for the insurance (the enterprise may procure insurance cover collectively). In the event of unemployment, for a stated period the insurance company will pay the indemnity. The insufficient portion, or in the event employment is still not found after expiry of the stated period, a solution may be sought from the relevant relief funds of the state. This system can, on the one hand, ensure and protect the basic livelihood of unemployed workers and staff members and, on the other hand, reduce the burdens on the enterprise and on the state. It is a relatively commendable form of protection against unemployment.

Third, we should reform the existing labor management forms and establish special employment agencies. This is both needed and a result of opening the labor market. Following the gradual opening of the labor market the great proportion of the functions of the labor management organs at various levels will cease. Hence, we may consider, besides retaining the central labor personnel department as the labor employment macroeconomic control organ, abolishing all other levels, particularly the county grassroots level, of labor departments, or perhaps change their function to enable their gradual transition to serving as employment agencies or organs. As a replacement measure we could consider setting up various kinds of specialized employment agencies as intermediaries for the two parties of supply and demand of labor force. In this regard, the existing labor service units and centers of personnel change may serve as the embryonic forms.

Compared with other important production factors, labor has a noticeably special feature; its circulation and deployment, aside from possessing the economic objective of improving the efficiency rate, have the social objective of

increasing employment. Between these two objectives a definite conflict exists. Realization of the economic objective requires the lesser use of labor in order to improve efficiency whereas realization of the social objective demands wherever possible, requires the greater and more use of labor to achieve equality in employment opportunities. In the traditional structure when we handle the relations between the two objectives we usually adopt the method of sacrificing economic objectives to ensure and protect social objectives--the method of replacing efficiency with equality. But following the opening of the labor market and the development of the reform of the entire economic structure and following the gradual diminishing of the state's microeconomic intervening power the traditional method can no longer be sustained or continued. In the new situation the state can only, on the basis of ensuring the efficiency rate, regulate the employment level and realize the social objective of increasing employment. How then can this point be achieved?

I believe that the following policies and measures are worthy of selection.

First, enforcing a rational macroeconomic management policy. Demand for labor is a sort of touching off demand and is derived from society's demand for products and labor. Other conditions remaining unchanged, the greater society's demand for products and labor and the greater the scale of society's economic operations the greater demand for labor and the more the workers' opportunities to find employment. Conversely, the opposite is true. Hence, in order to realize the objective for increased employment it is fundamentally necessary to adopt a rational macroeconomic management policy to regulate society's total demand and to maintain a definite scale and growth rate in socioeconomic development.

Second, adopting a rational policy for the industrial structure. The ratios of the composition of key elements of different industrial structures are not alike. Hence the employment opportunities offered in maintaining economic scales of an equivalent extent are not alike. Generally speaking, the greater the ratio of the technological and capital-intensive type of industries, then the fewer the employment opportunities offered in maintaining economic scales of an equivalent extent. Conversely, there are more opportunities. After opening the labor market the state can, by means of adopting a rational policy in the industrial structure, regulate the employment scale and level to attain the social objective of increasing employment.

Third, adopting a rational technological policy, among the key elements of production, there is a susceptibility to a definite degree of mutual displacement or replacement. The basic cause for this is due to the high or low level and changes in technology. The differences in the ratio of composition of the key elements of different industrial departments are due to the existence of disparity in the technological levels of different industrial departments. Generally speaking, the higher the average technological level of the various industrial departments or the greater the ratio of advanced technology in the composition of their existing technological structures, then, viewed from the composition of the key elements of production, the greater the displacement role of such key elements as the means of production and capital versus labor and thereby

the smaller the amount of labor needed to maintain an identical economic scale and the fewer the employment opportunities. Conversely, the opposite is true. Therefore, after the opening up of the labor market, the state can employ a rational technological policy to influence the composition of the various kinds of the key elements of production and thus attain the objective increase in employment.

The above analysis of the policies and measures illustrate that following the opening of the socialist labor market the state still has sufficient measures to macroeconomically regulate the labor employment level and to attain the objective of increasing social employment. Opening the labor market will not be like, as people may imagine, inevitably causing the state to lose overall control over labor employment and bringing about large, and especially prolonged, unemployment. This is akin to the fact that in the whole macroeconomic management the conversion from direct control to indirect control does not necessarily cause confusion in the entire economy.

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CSO: 4006/528

LABOR

PAPER REPORTS ON LABOR SYSTEM REFORM

HK010522 Beijing RENMIN RIBAO in Chinese 27 Mar 87 p 4

[Report by Sun Yuantao (1327 0337 3447): "Some Enterprises in Qingdao Enliven Permanent Workers System"]

[Text] Some enterprises in Qingdao City have implemented a laborers grouping system on a trial basis, and thus have enlivened the permanent workers system, given full play to the initiative of the vast number of workers in production, increased enterprises' vitality, and scored remarkable results in raising production output despite reduction in the workforce. According to recent statistics collected in 12 enterprises that implemented the laborers grouping system in the past 2 years, some 15 percent of employees have been laid off as redundant personnel, but the output and profits of these enterprises have grown by 25 and 20 percent respectively as compared with the figures recorded before the laborers grouping system was introduced; and, on the average, their labor productivity has been raised by 22 percent. Arrangements have been made to employ the laid off redundant personnel, and the per-capita profit made by them has exceeded 1,000 yuan. Earlier this year, the Qingdao City Labor Bureau summed up the experience in this experiment and recommended this system as an important measure to invigorate the labor administration in enterprises and to further the reform of the labor system. In order to further enliven the permanent workers system, 44 more enterprises in the city have implemented the laborers grouping system on a trial basis since February.

For state-owned enterprises in Qingdao City, permanent staff members and workers constitute 88 percent of their total number of employees. Due to the life tenure system for permanent workers, quite a number of these enterprises are overstaffed. This has given rise to a serious waste of labor forces and affected the economic results of these enterprises. For this reason, a pilot experimental project was launched among more than 13,000 staff members and workers of 12 enterprises in the city in 1985. With the number of staff members and workers and the production quota fixed, these enterprises encouraged their employees to form laborers' groups on a voluntary basis to contract for production projects. A principle of "dealing with the slippery and the lazy rather than the aged and the sick" has been upheld and appropriate consideration has been given to old and sick workers. At the same time, these enterprises have run tertiary industry to arrange jobs for redundant personnel that have been laid off and to provide services to facilitate enterprise operation and to improve

workers' everyday lives. Every staff member or worker who has joined a workers' group at any level must sign a labor contract. Implemented on a trial basis, this laborers grouping system has displayed the following advantages:

--The "iron rice bowl" has been removed, the life tenure system for cadres and the fixed position system for workers have been abolished, and capable persons of moral integrity have been abolished, and capable persons of moral integrity have been selected to fill appropriate positions. Now those who are proved unqualified can be demoted and those who have performed well can be promoted. The Qingdao Paohua Alkali Plant has abolished nine sections and five offices and set up "three divisions and an office." As a result of the regrouping of staff members, 18 middle- or higher-ranking cadres have been removed from office, accounting for 50 percent of the original total number of middle- and higher-ranking cadres. Meanwhile, five cadres of ordinary ranks have been promoted to the middle ranks, and middle ranking cadre has been promoted to take up a position at the [planning] level. Following the reorganization, 16.4 percent of cadres and 11.47 percent of staff and workers were laid off.

--The masses have enhanced their ideological understanding through self-education. In the process of laborers' regrouping, preference has been given to those who have performed well and have mastered higher skills, while those lazy and slippery fellows who used to take advantage of their special relations have had an opportunity to learn a lesson since they have been in disfavor. Jiaonan Paper Mill used to suffer enormous deficits in the past. Some team and group leaders in this plant were slack in their work and the masses were discontented with them. In May last year when the laborers regrouping process was initiated, a team head failed to form a new team because no one wanted to work under him. He was so depressed that he immediately ran back to his hostel and cried. Having learned a lesson from this, he made up his mind to work hard again. He recruited those who had not joined any team and formed a new team to emulate others. Now his team has fulfilled the production quota satisfactorily. Through the process of workers' regrouping, the initiative of the workers of this paper mill has been brought into play and the unfavorable situation soon changed. By the end of last year, this plant which had suffered a loss of 300,000 yuan in the previous year managed to make a profit of 384,000 yuan.

--The labor organizations have been consolidated. As the size of the staff and production quota have been fixed and the economic contracting system has been implemented, the labor productivity has been raised.

--The proper reemployment of redundant personnel has brought the state more wealth.

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CSO: 4006/528

LABOR

WAGE INCREASE OF 20 PERCENT REPORTED IN 1986

Beijing JINGJI RIBAO in Chinese 9 Feb 87 p 1

[Article by Feng Baodong [7458 1405 2639]: "Total Staff and Worker Wages Increase 20 Percent Over Previous Year; Rate of Increase Clearly Exceeds That of Total Value of National Production"]

[Text] This reporter has learned from the State Statistical Bureau that total wages for staff and workers (including price subsidies for meat, etc.) reached 166 billion yuan last year, an increase of 27.7 billion yuan, or 20 percent, over the previous year; adjusting for the increased cost of living, actual total wages increased 12.2 percent. In terms of system of ownership, wages in units under public ownership were 128.7 billion yuan, a 20.9-percent increase; in urban collective units, 36.5 billion yuan, a 16.9-percent increase; and in other units, 800 million yuan, a 35.6-percent increase.

It is calculated that of the increase in wages, higher wage levels account for approximately 24.3 billion yuan, or 87.7 percent, and an increase in the number of staff and workers accounts for approximately 3.4 billion yuan, or 12.3 percent.

The rate of increase last year in the actual amount of staff and worker wages clearly exceeded the rate of increase in the GNP for the year; the rate of increase in actual per capita wages not only clearly exceeded the rate of increase in productivity for the year, it also exceeded the average annual rate of increase of 4 percent set for the Seventh 5-Year Plan.

There is currently a sharp increase in bonuses among wages being paid. In units under the public ownership system, for example, 6.36 billion yuan in bonuses were paid in December of last year, a 57.4-percent increase over the previous year. In studying how to control the amount of wages, therefore, special attention must be paid to control the increase in bonuses.

13322

CSO: 4006/452

LABOR

WORK FORCE, WAGES INCREASE

Beijing GONGREN RIBAO in Chinese 9 Feb 87 p 1

[Unattributed article: "Last Year China's Force of Staff and Workers Grew and Wages Increased; 127.68 Million Staff and Workers, Total Wages of 166 Billion Yuan, Per Capita Wages of 1,332 Yuan"]

[Text] China's powerful force of staff and workers continued to grow over the last year; as the masses of workers created social wealth, their wages increased and living standards improved.

According to preliminary statistics from the State Statistical Bureau, at the end of 1986 the number of staff and workers had reached 127.68 million, an increase of 4.1 million over the same period the year before, and more than the average annual increase of 3.83 million during the Sixth 5-Year Plan. Staff and workers in units under the system of public ownership increased by 3.12 million to 93.02 million; staff and workers in units under the urban collective system of ownership increased by 880,000, to 34.12 million; staff and workers working in units under other systems increased by 100,000 to 540,000. In addition, by the end of last year the number of individual urban workers had increased by 110,000 over the same period the year before to 4.61 million. Last year about 3.2 million urban unemployed found jobs.

As the labor contract system spreads, the number of staff and workers under contract is increasing rapidly. At the end of last year there were 5.18 million people working under contract in units under the public ownership system, an increase of 1.86 million over the previous year; 1.53 million of these were newly added in the fourth quarter. The vast majority of contract workers work in the first line of production and in difficult positions, and many have become the backbone of production.

Preliminary statistics from the State Statistical Bureau also show that in 1986 wages of staff and workers (including price subsidies for meat, etc.) reached 166 billion yuan, a 20-percent increase over the previous year; adjusting for the increase in the cost of living, the actual increase was 12.2 percent. Of the newly added 27.7 billion in wages, 87.7 percent was due to higher wage levels and 12.3 percent was due to the increase in the number of staff and workers.

Hence, last year per capita cash wages for the country's staff and workers reached 1,332 yuan, a 16-percent increase over the previous year; adjusting for the increase in the cost of living, the actual increase was 8.4 percent.

In furnishing these statistics, the State Statistical Bureau pointed out that the rate of increase in total staff and worker wages last year clearly exceeds that in the GNP for the year, and the rate of increase in per capita wages clearly exceeds the increase in industrial productivity and the annual average levels set for the Seventh 5-Year Plan. Now, as we study appropriate wage increases and how to control total wages, special attention must be paid to the problem of the sharp increase in bonuses.

13322

CSO: 4006/452

LABOR

BRIEFS

WOMEN WORKERS' STATISTICS--Beijing, 7 March (XINHUA)--According to statistics released by the State Statistical Bureau, the number of Chinese women workers reached 46.88 million at the end of 1986, 50 percent more than in 1978. The percentage of women workers in the total number of workers had also risen from 23.9 to 36.6. In addition to an increase in number, the quality of women workers had markedly improved. Women engineers, professors, researchers, pilots, doctors, managers, literary and art workers, and other female professionals totaled more than 4 million. [Summary] [Beijing XINHUA Domestic Service in Chinese 0910 GMT 7 Mar 87 OW] /12232

WORKER STATISTICS--Beijing, 22 March (XINHUA)--In the first 2 months of this year, the number of workers in China decreased by 900,000 over the end of last year. At the same time, the increase in their total wages was on the high side. According to data released, there were 127.2 million workers in China at the end of February, of which 92.88 million were employed by state-owned, and the remainder by collective, units. The number of workers in each of these two sectors decreased by 450,000 respectively over the end of last year. However, total workers' wages has shown a sharp increase. [Summary] [Beijing XINHUA Domestic Service in Chinese 0856 GMT 22 Mar 87 OW] /12232

CSO: 4006/528

POPULATION

BRIEFS

SHANDONG POPULATION INCREASE--According to the provincial Statistical Bureau's sample survey of 160 investigation centers in 28 counties in 12 cities and prefectures, in 1986, the population in the province increased by 1.07 million persons, 333,000 persons more than the increased number of 1985, or a record year in the past 3 years. The reason for the remarkable growth of the province's population are: 1) male and female youths born between 1962 and 1965 have entered the child-bearing age, thus forming a baby boom; 2) the relaxed family planning policies have allowed some people to have a second child; and 3) the early-marriage and early-child bearing cases, which have become increasingly serious in some places in recent years, and the negligence in family planning have brought about a rise in population growth rate. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Apr 87 SK] /12232

CSO: 4006/528

TRANSPORTATION

CONTRACT FOR GUANGDONG-HONG KONG EXPRESSWAY SIGNED

HK220641 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 21 Apr 87

[Text] Yesterday afternoon, at the China Hotel in Guangzhou, the Guangdong Provincial Highway Construction Co. and Hong Kong's Hopewell China Development Limited signed a contract on jointly building and operating the Guangzhou-Shenzhen-Zhuhai expressway. The contract was signed by (Weng Shaolian), chairman of the board of directors of the Guangdong Provincial Highway Construction Co., and Gordon Wu, director and general manager of Hong Kong's Hopewell China Development Limited. According to the contract, the Guangzhou-Shenzhen-Zhuhai expressway will be 302 km long, and the total investment in the expressway project will be 3.5 billion yuan. The project will be carried out in three phases. The first phase of the project starts from Guangzhou's (Guangyuan) road and ends at Shenzhen's (Huanggang), with an overall length of 120 km. The second phase, starting from Taiping in Tongguan county passes Zhuhai and Zhongshan, and ends in Jiangmen, and has an overall length of 136 km. The third phase runs from Guangzhou's (Chigang) and ends at Huangge in Panyu, with an overall length of 46 km.

The first phase of the construction project will begin this month and will be completed in 1990. The second and third phases are scheduled to begin construction in 1988 and 1997 respectively.

According to the contract, from the date when a section of the expressway is open to traffic, that section will be jointly operated by two parties for 30 years; and at the end of the 30-year period, property rights will revert to the Guangdong Provincial Highway Construction Co.

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CSO: 4006/579

MINERAL RESOURCES

GUANGDONG CONFERENCE DISCUSSES GOLD PRODUCTION

HK300901 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 28 Mar 87

[Text] A Guangdong Provincial Work Conference on gold, which lasted 4 days, concluded this afternoon. Kuang Ji, vice governor of the provincial government, announced at the conference that ours was China's first province engaged in overall contracting for the state's gold production projects, including geological prospecting, and production and construction input and output.

This conference discussed the gist of the State Council document on quickening the pace of the development of gold production and our province's plan for overall contracted gold production undertakings, including geological prospecting, and production and construction input and output, and unanimously stopped our province's plan for contracted gold production undertakings during the Seventh 5-Year Plan. The conference called for achieving a 300 percent increase in gold production in 1990 as compared with gold production during the Sixth 5-Year Plan.

During today's conference, the provincial people's government conferred the title "Advanced Unit in Gold Production Work" on 38 units, including the public security bureaus of Gaoyao, Deqing, and Qingyuan Counties, the Jiulong Customhouse, the provincial gold company, and No 719 geological prospecting team under the provincial Bureau of Geology and Mineral Resources.

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CSO: 4006/528

HUNGARY'S ONGOING BANKING REFORMS

Shanghai SHIJIE JINGJI DAOBAO in Chinese 29 Dec 86 p 2

[Article by Chen Zhen'an [7115 2182 1344]: "Market and Competition Mechanisms Become Part of Finance; Next Year Hungary Begins Overall Reform of Banking System; Functions of Central and Commercial Banks Separated; Commercial Banks To Operate as For-Profit Enterprises"]

[Text] Going into 1987, the history of Hungary's economic reforms is turning a new page. Beginning 1 January, Hungary is reforming the entire banking system; what has to date been a one-tier banking system will become a two-tier banking system, and beginning then the mechanisms of market and competition will enter the realm of finance. The basic goal of this measure is to increase the banks' capital benefits and strengthen enterprise capacity to adapt to external conditions.

This reform is characterized by separating the functions of the central bank and the commercial banks. Previously, the National Bank of Hungary concentrated both functions in itself, exerting macroeconomic control over the economy and watching over the microeconomic activities of enterprises; this system had many drawbacks. In summer of 1986, Hungary passed an Enterprise Bankruptcy Law that provided the necessary conditions for bank reform. Under the new two-tier system, the National Bank of Hungary will perform only the function of central bank, making decisions on such major matters as issuing currency and public bonds, controlling foreign exchange, and handling foreign debt. It will also participate in formulating national economic plans.

After the reform, commercial bank functions will be performed by five newly established banks, the Credit Bank of Hungary, the National Commercial and Credit Bank, the Budapest Credit and Development Bank, the Foreign Trade Bank of Hungary, and the Common Securities Circulation Bank. All these specialized banks will be joint-stock companies. In the early stages of the reform, they will still be state-owned; later, with the state assured of holding a majority of the shares, the amount of capital held by enterprises and cooperatives will continue to rise. In addition to deposits, endorsement of notes, and issuing negotiable securities, the specialized banks will primarily expand sources of capital by taking loans from the state. They will all be operated as for-profit enterprises and will be able to make loans to enterprises and take enterprise deposits; they will also have the authority to open current

accounts. When lending to enterprises, the specialized banks will carefully scrutinize the construction project and bear the risk jointly with the enterprise. The specialized banks will compete with one another. Enterprises may freely select the commercial bank most favorable to them for taking loans and making deposits. Under the new system, the National Bank of Hungary may not directly interfere in the administration of the specialized banks; it will regulate them indirectly by formulating interest policies and setting minimum reserve levels.

Reform of Hungarian finance did not just begin; experiments have been going on for a long time. Several years ago Hungary jointly established Middle European national banks and city banks with capital from such countries as Great Britain and France and from the World Bank, which are now serving to fully exploit market mechanisms and competition. Eastern Europe's first securities exchange was also born in Budapest. In the last 3 years, 8.4 billion forints in securities have been traded here (1 percent of Hungary's GNP). Individual subscriptions account for three-fourths of this. The capital collected here is invested in such projects as commerce, transport, telecommunications, regional construction, etc.

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